AUDIT COMMITTEE AGENDA

WEST VALLEY CITY
Unity Pride Progress

JUNE 6, 2024

This meeting will be held in the Finance Conference Room at West Valley City Hall (3600 S Constitution Blvd) and electronically via zoom. Members of the press and public are invited to attend in person or can email abbey.smock@wvc-ut.gov prior to 2:00 PM on June 6, 2024 for electronic meeting participation information.

MEETING: Audit Committee

DATE: June 6, 2024 @ 4:00pm

ATTENDEES: Mayor Karen Lang, Lars Nordfelt, Ifo Pili, Dean Lundell, James Welch, Niclas Hales, Abbey Smock, Jason Hamilton, Steve Rowley

AGENDA:

1. Chairman Lars Nordfelt call meeting to order.

2. Discussion and approval of Audit Committee Minutes held February 08, 2024.

3. **West Valley Permanent Housing LLC** (*Campbell Court*) Audit Review Calendar Year 2023 Audit by K&C, LLC.

4. Approval of Engagement Letter for **West Valley City** Audit Fiscal Year 2023-2024 from K&C, LLC.

5. Approval of Engagement Letter for **West Valley Permanent Housing LLC** (*Campbell Court*) Audit Calendar Year 2024 from K&C, LLC.

6. Approval of Engagement Letter for **West Valley Arts Foundation** Audit Fiscal Year 2023-2024 from K&C, LLC. *(Further Discussion)*

7. Approval of Engagement Letter for West Valley Housing Authority regarding agreed upon procedures for **US Department of Housing and Urban Development *(HUD)*** reporting for Fiscal Year 2023-2024 from K&C, LLC.

8. Fraud Risk Assessment.

9. Adjourn.

AUDIT COMMITTEE MEETING

February 8, 2024 MINUTES

THE WEST VALLEY CITY AUDIT COMMITTEE MET ON THURSDSAY FEBRUARY 8, 2024 AT 4:00PM IN THE FINANCE DEPARTMENT CONFERENCE ROOM AND THROUGH VIRTUAL ZOOM TECHNOLOGY. THE MEETING WAS CALLED TO ORDER AND CONDUCTED BY LARS NORDFELT, AUDIT COMMITTEE CHAIRMAN.

THE FOLLOWING MEMBERS WERE PRESENT:

Lars Nordfelt, Chairman
Karen Lang, Mayor *(via phone*)
Dean Lundell, Committee Representative (*remotely*)

STAFF PRESENT:

Jim Welch, Finance Director
Niclas Hales, Accounting Manager
Abbey Smock, Finance Assistant
Steve Rowley, Auditor
Jason Hamilton, Accountant
John Flores, HR Director/Acting Assistant City Manager (*remotely*)

INTRODUCTIONS

Chairman Lars Nordfelt called the meeting to order.

APPROVAL OF JUNE 15, 2023 MINUTES

The Committee considered the Minutes of the June 15, 2023 minutes. There were no changes, corrections or deletions. Without objections, minutes are approved.

MEETING POINTS

- The Audit Committee is still looking for a citizen representative for the Audit Committee. Mr. Welch has reached out to other departments within the city to help with the invitation. We are looking for someone who can understand numbers and needs to be a resident within the city.

- **AUDIT FISCAL REVIEW FOR FY 2022-2023**
  Auditor Steve Rowley confirmed that the Auditors are responsible for reviewing compliance to accepted financial standards and providing a reasonable though not absolute assurance that the financials reports are free of material misstatements or errors. This does not relieve the City or governmental entities of their responsibility to have accurate financial statements. The Audit report is an assessment of internal controls and financial reporting that provides a reasonable assurance that these reports are free from errors and misstatements. The auditor's opinion is not an assessment of the effectiveness of internal controls. The Audit is responsible to report significant issues with the audit to the City that they feel are relevant and important. Mr. Rowley confirmed that they did not encounter difficulties within the audit, there were no materially incorrect statements, no disagreement with management, no material mistakes in the financial statements that were brought up by management as a result of the audit, and management did not consult with any outside audit firms within the course of the audit.

Mr. Rowley then directed the committee to the Audit Report, last paragraph, *"In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of West Valley City as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America"*, indicating that the report is a "clean unmodified opinion".

- ***West Valley City Audit-*** Mr. Rowley reviewed in the Supplemental Report, *"In our opinion, West Valley City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023."* Single Audit/Federal Funds section that this is a clean opinion in relation to their reporting.

  Reviewed Internal Audits, Compliance Requirements for Federal Grants and controls in place with the city. All reviews indicate that the City does fulfill and has not been able to identify any issues with complying. Mr. Welch added that we have had findings in this section before and have made big strides to ensure no more findings and have succeeded in this goal. Mr. Rowley directed the Committee to the "Findings" section. Noted that there were no Findings for West Valley City. State Compliance report, as required and is in order and lists what the Auditors looked at and they followed those guidelines and as directed. Clean and unmodified opinion. Also discussed GASB 87 standard that are now required, and that the city didn't have much that referred to this standard. Mr. Rowley reviewed notations of their opinion of compliance and reporting and state requirements.

  Mr. Rowley finalized his remarks with having no issues or disagreements and we did hit the deadline for State compliance.

- ***West Valley Arts Foundation Audit-*** Steve Rowley indicates *"In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of West Valley Arts and Cultural Foundation as of June 30, 2023, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America."* There were no issues with internal control and results of our tests disclosed no instances of noncompliance or other matters that are requested to be reported under Government Auditing Standards.

MOTION TO ADJOURN
Motion to adjourn meeting, meeting adjourned.

THERE BEING NO FURTHER BUSINESS OF THE WEST VALLEY AUDIT COMMITTEE MEETING OF THURSDAY, FEBRUARY 8, 2024 WAS ADJOURNED.

WEST VALLEY PERMANENT HOUSING, LLC

FINANCIAL STATEMENTS

December 31, 2023

WEST VALLEY PERMANENT HOUSING, LLC
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

K&C
CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

To the Members of
West Valley Permanent Housing, LLC
West Valley City, Utah

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of West Valley Permanent Housing, LLC (a Limited Liability Company), component unit of West Valley City, Utah, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise West Valley Permanent Housing, LLC's (the Company) basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company, as of December 31, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Company's basic financial statements. The accompanying schedule of administrative, utilities, operating maintenance, taxes, and insurance expenses is presented for purposes of additional analysis 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 basic 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 administrative, utilities, operating maintenance, taxes, and insurance expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2024, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

K&C, CPAs

K&C, Certified Public Accountants
Woods Cross, Utah
April 4, 2024

WEST VALLEY PERMANENT HOUSING, LLC
A COMPONENT UNIT OF WEST VALLEY CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis of West Valley Permanent Housing, LLC (the Company) is being provided to readers of these financial statements as additional information to place these financial statements in a historical and economical context. The analyses in this section are intended to provide a high-level overview of the operations of the Company and compare it to the previous year's operations.

Overview of the Financial Statements

This annual report consists of two parts 1) management's discussion and analysis (this section), and 2) the basic financial statements. The basic financial statements include the following:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

The Company reports as a single enterprise fund, and is a component unit of West Valley City's (the City) financial statements, and is included in the City's Housing Authority combined fund. The City issues separate audited financial statements, which can be obtained by contacting the City's finance department.

Financial Analysis of the Company

The Company's net position was ($109,615), a deficit balance, at December 31, 2023. $311,170 of the net position reflects the Company's net investment in capital assets, which consist of land, buildings, and improvements, less any related debt used to acquire those assets. These assets are used to provide housing services to the public, and consequently these capital assets are not available for future spending. Restricted net position represents the amount of restricted cash or other assets, less related restricted liabilities, that are restricted for use. Unrestricted fund balance normally indicates what resources are available for spending on ongoing operations. At December 31, 2023, the Company reports a deficit unrestricted net position balance of ($454,769), meaning that the Company has obligations in excess of resources available to be used to pay for those obligations.

Capital assets of the Company remained the same as last year, except for the effect of the depreciation expense that increased the accumulated depreciation. See Note 5 for additional information on the Company's capital assets.

Below is a summary of the Company's assets, liabilities, and breakdown of the net position.

WVPH - Condensed Statement of Net Position

	2023	2022	Increase (Decrease)	Percent Change
Current and other assets	$ 167,959	$ 75,558	$ 92,401	122.3%
Capital assets, net	857,815	936,440	(78,625)	-8.4%
Total assets	1,025,774	1,011,998	13,776	1.4%
Current and other liabilities	592,585	549,175	43,410	7.9%
Long-term liabilities	542,804	546,714	(3,910)	-0.7%
Total liabilities	1,135,389	1,095,889	39,500	3.6%
Net position:				
Net investment in capital assets	311,170	386,162	(74,992)	-19.4%
Restricted	33,984	26,443	7,541	28.5%
Unrestricted	(454,769)	(496,496)	41,727	-8.4%
Total net position	(109,615)	(83,891)	(25,724)	30.7%

The Company's revenues increased from the prior year by $120,382, or 38.1% primarily from increases in Rents and a contribution from West Valley City.

Expenses overall decreased $15,523, or 3.2%, from the prior year. This decrease was primarily due to lower operating and maintenance costs incurred during the year, and offset by only minimal increases in other expenses.

Below is a summary of the Company's revenues, and expenses, and changes in net position compared with the previous year.

WVPH - Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2023	2022	Increase (Decrease)	Percent Change
Revenes:				
Rents	$ 383,059	$ 310,971	$ 72,088	23.2%
Interest income	251	17	234	1376.5%
Contribution from WVC	49,375	-	49,375	100.0%
Misccellaneous	3,843	5,158	(1,315)	-25.5%
Total revenues	436,528	316,146	120,382	38.1%
Expenses:				
Administrative	49,170	57,853	(8,683)	-15.0%
Property managent fee	31,975	25,828	6,147	23.8%
Utilities	36,648	31,724	4,924	15.5%
Operating and maintenance	191,357	221,113	(29,756)	-13.5%
Taxes	5,487	4,654	833	17.9%
Insurance	15,659	14,211	1,448	10.2%
Depreciation	78,625	78,625	-	0.0%
Interest expense	3,087	3,349	(262)	-7.8%
Incentive management fee	50,244	40,418	9,826	24.3%
Total expenses	462,252	477,775	(15,523)	-3.2%
Change in net position	(25,724)	(161,629)	135,905	-84.1%
Net position - beginning of year	(83,891)	77,738		
Net position - end of year	$ (109,615)	$ (83,891)		

Capital Asset and Long-term Debt Activity

As noted previously, the only change in the Company's capital assets over the 2023 year was the result of the year's depreciation. Below is a summary of the Company's capital assets.

WVPH - Capital Assets

	2023	2022	Increase (Decrease)	Percent Change
Land	$ 432,026	$ 432,026	$ -	0.0%
Improvements	6,316	6,316	-	0.0%
Buildings	2,150,622	2,150,622	-	0.0%
Accumulated depreciation	(1,731,149)	(1,652,524)	(78,625)	4.8%
Total capital assets, net	$ 857,815	$ 936,440	$ (78,625)	-8.4%

The Company's long-term liabilities consist of notes payable. Below is a summary of the long-term liabilities outstanding. Additional information on the Company's long-term liabilities can be found in Note 3.

WVPH - Long-term Liabilities

	2023	2022	Increase (Decrease)	Percent Change
Notes payable - direct borrowings	$ 546,645	$ 550,278	$ (3,633)	-0.7%

Economic Factors and Next Year's Budgets

The Company expects to conduct an operations analysis with the intent of reversing the deficit fund balance that exists. West Valley City recognizes that possible increases to rent revenue are necessary and will review the provisions of legal requirements and subsidies to address this deficit. In order to address ongoing maintenance as well as capital project needs, the City will explore options for ongoing contribution towards capital or significant repairs, including grant opportunities as they arise.

Economic conditions are currently mixed, as the area deals with the effects of inflation and housing affordability. Those economic factors will influence budget planning and contributions.

WEST VALLEY PERMANENT HOUSING, LLC
A COMPONENT UNIT OF WEST VALLEY CITY, UTAH
STATEMENT OF NET POSITION
December 31, 2023

		2023
Assets		
Current Assets:		
Cash and cash equivalents	$	110,579
Accounts receivable		7,829
Prepaid expenses		4,967
Total Current Assets		123,375
Noncurrent Assets:		
Rental Property and Equipment:		
Land		432,026
Improvements		6,316
Building		2,150,622
Less: Accumulated depreciation		(1,731,149)
Total Rental Property and Equipment		857,815
Restricted deposits and funded reserves:		
Tenant security deposits		11,083
Escrow fund		14,920
Replacement reserve		18,581
Total Restricted deposits and funded reserves		44,584
Total Noncurrent Assets		902,399
Total Assets	$	1,025,774
Liabilities and Net Position		
Current Liabilities:		
Accounts payable - trade	$	13,344
Accounts payable - related party		9,829
Accrued liabilities		8,683
Accrued interest payable		308
Liabilities payable from restricted assets:		
Tenant security deposits		10,600
Notes payable - current portion		3,841
Management fee payable		295,690
Management fee payable - related party		250,290
Total Current Liabilities		592,585
Noncurrent Liabilities:		
Notes Payable		542,804
Total Noncurrent Liabilities		542,804
Total Liabilities		1,135,389
Net Position		
Net investment in capital assets		311,170
Restricted		33,984
Unrestricted		(454,769)
Total Net Position		(109,615)
Total Liabilities and Net Position	$	1,025,774

The notes to the basic financial statements are an integral part of this statement.

WEST VALLEY PERMANENT HOUSING, LLC
A COMPONENT UNIT OF WEST VALLEY CITY, UTAH
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
For the Year Ending December 31, 2023

	2023
Operating Revenues	
Rents	$ 383,059
Miscellaneous	3,843
Total Operating Revenues	386,902
Operating Expenses	
Administrative	49,170
Property managent fee	31,975
Utilities	36,648
Operating and maintenance	191,357
Taxes	5,487
Insurance	15,659
Depreciation	78,625
Total Operating Expenses	408,921
Operating loss	(22,019)
Nonoperating Revenue (Expense)	
Interest income	251
Interest expense	(3,087)
Incentive management fee - WVC	(50,244)
Contribution from WVC	49,375
Total Nonoperating Revenue (Expense)	(3,705)
Change in Net Position	(25,724)
Net Position - beginning of year	(83,891)
Net Position - end of year	$ (109,615)

The notes to the basic financial statements are an integral part of this statement.

WEST VALLEY PERMANENT HOUSING, LLC
A COMPONENT UNIT OF WEST VALLEY CITY, UTAH
STATEMENT OF CASH FLOWS
For the Year Ending December 31, 2023

		2023
Cash flows from operating activities:		
Cash receipts from customers	$	389,863
Cash payments to suppliers		(313,301)
Cash payments to employees for services		(25,506)
Net cash from operating activities		51,056
Cash flows from noncapital financing activities:		
Contribution from WVC		49,375
Net cash from noncapital financing activities		49,375
Cash flows from capital and related financing activities:		
Principal payments on notes payable		(3,633)
Interest payments on notes payable		(3,087)
Net cash from capital and related financing activities		(6,720)
Cash flows from investing activities:		
Interest earned on deposits		251
Net cash from investing activities		251
Net increase (decrease) in cash and cash equivalents		93,962
Cash and cash equivalents at beginning of year		61,201
Cash and cash equivalents at end of year	$	155,163
As reported in the Statement of Net Position		
Cash and cash equivalents	$	110,579
Restricted deposits and funded reserves		44,584
Total cash and cash equivalents	$	155,163
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Net income (loss) from operations	$	(22,019)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation		78,625
Changes in assets and liabilities:		
Accounts receivable		1,561
Accounts payable		(6,957)
Accrued liabilities		(1,554)
Payable from restricted assets		1,400
Net cash from operating activities	$	51,056

The notes to the basic financial statements are an integral part of this statement.

WEST VALLEY PERMANENT HOUSING, LLC
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNFIICANT ACCOUNTING POLICIES

West Valley Permanent Housing, LLC ("the Company") completed construction on a 21-unit apartment complex located in West Valley City, Utah on November 26, 2001. the Company is operating as a Limited Liability Company under Utah laws and regulations and ceases to exist on November 23, 2098. the Company's operating agreement and the Internal Revenue Code Section 42 govern the major activities.

Each building of the Company has qualified and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates other requirements. Each building of the Company must meet the provisions of these regulations during each of fifteen consecutive years in order to continue to qualify to receive the tax credits. Failure to comply with occupant eligibility and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken low-income housing tax credits plus interest. Such potential noncompliance may require an adjustment to the contributed capital by the members of the Company.

The Company's governing board consists of the Mayor and Council Members of West Valley City, and therefore, the Company is reported as a component unit of West Valley City (the City), and its financial statements are incorporated in the City's financial statements as a blended component unit. The Company reports as a governmental entity by virtue of its ownership structure, which consists of the City's Mayor and Council Members.

The Company's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The more significant accounting policies established in GAAP and used by the Company are discussed below:

The Reporting Entity

In evaluating how to define the Company for financial reporting purposes, management has considered all potential component units. The decision on whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB pronouncements. the Company has no component units to report.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Company reports as a proprietary fund. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The use of financial resources to acquire capital assets are capitalized as assets in the financial statements. Proceeds of long-term debt are recorded as a liability in the financial statements. Amounts paid to reduce long-term debt of the Company are reported as a reduction of the related liability.

The Company distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Company's principal ongoing operations. The principal operating revenues consist of rent charges. Operating expenses of the Company consists primarily of operating and maintaining the rental units. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all unrestricted investment instruments with original maturities of three months or less to be cash equivalents.

NOTE 1 SUMMARY OF SIGNFIICANT ACCOUNTING POLICIES (Continued)

Restricted Cash and Cash Equivalents

Restricted deposits represent cash in separate accounts that are restricted under the terms of the operating agreement, or are otherwise required to be reported as restricted. The replacement reserve and escrow deposits require monthly installments. Security deposits are funds being held in trust for tenants, to be released at move-out.

Capital Assets

Capital assets consist of rental property and equipment. Capital assets are defined by the Company as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the property ranging from 3 to 27.5 years. Repairs and maintenance costs are expensed as incurred except when such repairs significantly add to the useful life or productive capacity of the asset, in which case the repairs are capitalized.

Accounts Receivable

The Company provides, when considered necessary, allowance for accounts receivable that it deems to be uncollectible. For the year ending December 31, 2023, the Company considers all of its accounts receivable to be collectible and, accordingly, no allowance for doubtful accounts has been included in these financial statements.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method.

Rental Income

The Company receives rental income from tenants. Rental income is recognized as the rents are earned. Rental payments received in advance are reported as unearned. All leases between the Company and its tenants are short-term leases. The Company derives substantially all of its revenues from its rental activity.

Income Taxes

The Company is not subject to federal income tax because its income and losses are includable in the tax returns of its member (West Valley City) but may be subject to certain state taxes. For 2023, management has determined that there are no material uncertain income tax positions.

Distributions

Under the Company's operating agreement, distributions to members from funds provided by rental operations are allowed provided surplus cash flow, as defined, is available for such purposes. Surplus cash flow shall be applied and/or distributed to agreements such as subordinated loans or annual management fees as defined in the aforementioned operating agreement before any distributions are allowed to members.

Subsequent Events

The Company evaluated all events or transactions that occurred after December 31, 2023 through April 4, 2024, the date the Company issued these financial statements. The Company did not have any material recognizable subsequent events.

NOTE 1 SUMMARY OF SIGNFIICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position is separated into three categories: 1) Net investment in capital assets, 2) Restricted, and 3) Unrestricted.

Net investment in capital assets is the Company's investment in capital assets, net of accumulated depreciation, and net of any capital-related liabilities used to obtain those capital assets.

Restricted net position is the amount of restricted assets less any related liabilities, and represents the amount of resources restricted by law, debt agreement, or otherwise considered "restricted" by accounting standards.

Unrestricted net position represents all other resources available to the Company for its ongoing operations. As of December 31, 2023, the Company reported a deficit unrestricted net position of ($454,769).

Net Position Flow Assumptions

Sometimes the Company will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Company's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND CASH EQUIVALENTS

Deposits of the Company are held in an FDIC insured depository. Bank balances at December 31, 2023 were $158,156, and the carrying amount was $155,163.

All of the Company's deposits were insured at December 31, 2023, and the Company does not hold any investments or securities. Therefore, the Company does not have any credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

NOTE 3 NOTES PAYABLE

Long-term debt at December 31, 2023 consists of the following:

	12/31/2022	Additions	Reductions	12/31/2023	Due within one year
Notes Payable - Direct Borrowing					
Salt Lake County HOMES	$ 454,712	$ -	$ -	$ 454,712	$ -
Gary L. Carter Trust	42,806	-	(3,633)	39,173	3,841
Utah Nonprofit Housing Corp.	52,760	-	-	52,760	-
Totals	$ 550,278	$ -	$ (3,633)	$ 546,645	$ 3,841

NOTE 3 NOTES PAYABLE (Continued)

Salt Lake County HOME – This note carries an interest rate of zero percent (0%) per annum and is payable solely from available cash flows in accordance with the Company's operating agreement. The term of the note is 30 years, and is scheduled to mature in 2032. The maturity schedule of this note is as follows:

Year	Principal	Interest	Total
2024	$ -	$ -	$ -
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029 - 2032	454,712	-	454,712
Totals	$ 454,712	$ -	$ 454,712

Gary L. Carter Trust – This note carries an interest rate of seven-and one-half percent (7.5%) per annum, payable in monthly installments of principal and interest of $560 beginning on or before October 19, 2002 and continuing for 360 months (30 years). This note is scheduled to mature in 2032. The maturity schedule of this note is as follows:

Year	Principal	Interest	Total
2024	$ 3,841	$ 2,879	$ 6,720
2025	4,139	2,581	6,720
2026	4,460	2,260	6,720
2027	4,806	1,914	6,720
2028	5,179	1,541	6,720
2029 - 2032	16,748	2,082	18,830
Totals	$ 39,173	$ 13,257	$ 52,430

Utah Nonprofit Housing Corporation – This note is payable to a former managing member of the Company, and is a Development Fee Note. This note carries an interest rate of zero percent (0%) per annum, payable solely from available cash flows in accordance with the Company's operating agreement. The maturity schedule of this note is as follows:

Year	Principal	Interest	Total
2024	$ -	$ -	$ -
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029 - 2032	52,760	-	52,760
Totals	$ 52,760	$ -	$ 52,760

WEST VALLEY PERMANENT HOUSING, LLC
NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4 RELATED PARTY TRANSACTIONS

Incentive Management Fee

The Company agrees to pay the managing member, West Valley Permanent Housing, LLC, for its services in connection with managing the company, an annual incentive management fee in the amount of 12.7% of the gross collected revenue from the apartment complex, payable after the end of such year upon the completion of the annual review. Such fees shall be paid out of cash flow before any other distributions are made. If cash flow is insufficient to pay such fee in full, the unpaid balance of such fee shall nevertheless accrue and shall be paid out of cash flow in the subsequent year as if it were a part of the management fee for such subsequent year. The amount charged to operations for the year ending December 31, 2023, was $50,244. The Incentive Management Fee payable at December 31, 2023, is $250,290. No payments were made toward the incentive management fee during 2023.

NOTE 5 CAPITAL ASSETS

Capital assets of the Company consist of the following at December 31, 2023:

	12/31/2022	Additions	Deletions	12/31/2023
Capital Assets, not being depreciated				
Land	$ 432,026	$ -	$ -	$ 432,026
Total capital assets, not being depreciated	432,026	-	-	432,026
Capital assets being depreciated				
Improvements	6,316	-	-	6,316
Buildings	2,150,622	-	-	2,150,622
Total capital assets being depreciated	2,156,938	-	-	2,156,938
Accumulated depreciation				
Improvements	(3,684)	(421)	-	(4,105)
Buildings	(1,648,840)	(78,204)	-	(1,727,044)
Total accumulated depreciation	(1,652,524)	(78,625)	-	(1,731,149)
Total capital assets being depreciated, net of accumulated depreciation	504,414	(78,625)	-	425,789
Total capital assets, net of accumulated depreciation	$ 936,440	$ (78,625)	$ -	$ 857,815

Depreciation expense of $78,625 was reported for the year.

NOTE 6 RISK MANAGEMENT

The Company is exposed to various risks of loss related to torts; theft, damage, and destruction of asset; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The Company maintains commercial insurances to cover or mitigate any such losses. For the last three years, settled claims have not exceeded commercial insurance coverage, nor has there been any reduction in insurance coverage.

SUPPLEMENTAL INFORMATION

WEST VALLEY PERMANENT HOUSING, LLC
SCHEDULE OF ADMINISTRATIVE, UTILITIES, OPERATING MAINTENANCE, TAXES, AND INSURANCE EXPENSES
For the Year Ending December 31, 2023

	2023
Administrative Expense:	
Manager Salaries	$ 20,706
Office Expense	16,868
Bookkeeping / accounting	3,921
Bad debt expense	-
Legal	7,675
Total Administrative Expense	49,170
Utilities Expense:	
Electricity	8,621
Water	17,723
Natural gas	9,008
Sewer	1,296
Total Utilities Expense	36,648
Operating and maintenance:	
Grounds maintenance	40,739
Repairs contract	101,098
Cleaning contract/supplies	12,697
Repairs material	19,796
Garbage and trash removal	4,361
Heating/cooling repairs	5,420
Security contract	7,200
Vehicle maintenance equipment and repairs	46
Total Operating and maintenance	191,357
Taxes	
Payroll Taxes (project's share)	3,889
Miscellaneous taxes, licenses, permits, and insurance	1,598
Total Taxes	5,487
Insurance	
Health insurance and other employee benefits	5,066
Property and liability insurance	10,102
Worker's compensation	491
Total Insurance	15,659

See independent auditor's report.

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*

K&C
CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

To the Members of
West Valley Permanent Housing, LLC
West Valley City, Utah

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 West Valley Permanent House, LLC (the Company), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated April 4, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing 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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company'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 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 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.

K&C, CPAs

K&C, Certified Public Accountants
Woods Cross, Utah
April 4, 2024

K&C
CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

May 16, 2024

To City Council, and City Manager
West Valley City
3600 Constitution Blvd.
West Valley City, Utah 84119-3720

We are pleased to confirm our understanding of the services we are to provide for West Valley City (the City) for the fiscal year ended June 30, 2024.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the disclosures, which collectively comprise the basic financial statements of the City as of and for the year ended June 30, 2024. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis.
2. Information about Infrastructure Assets Reported Using the Modified Approach
3. Schedule of the Proportionate Share of the Net Pension Liability – Utah Retirement Systems
4. Schedule of Contributions – Utah Retirement Systems
5. Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Major Governmental Fund
6. Notes to Required Supplementary Information

We have also been engaged to report on supplementary information other than RSI that accompanies the City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our 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 GAAS, and we will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditor's report on the financial statements.

Telephone (801) 590-2600 | 1285 S. 1650 W. Suite 200, Woods Cross, UT 84087

1. Schedule of expenditures of federal awards.
2. Combining Balance Sheet – Nonmajor Governmental Funds
3. Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds
4. Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Nonmajor Governmental Funds
5. Combining Statement of Net Position – Nonmajor Enterprise Funds
6. Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Enterprise Funds
7. Combining Statement of Cash Flows – Nonmajor Enterprise Funds

In connection with our audit of the basic financial statements, we will read the following other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

1. Transmittal letter
2. Statistical information

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinions about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP, and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements. The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Auditor's Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with GAAS; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements or noncompliance may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

We have previously identified the following significant risks of material misstatement as part of our audit planning and believe are still relevant:

- Improper revenue recognition (assumed always) – this is the risk that revenue may not be recognized in accordance with GAAP.
- Management override of controls (assumed always) – this is the risk that management may override internal controls through pressure on subordinates or other methods.

As of the date of this letter, we have not completed our planning of the City's audit, therefore we will communicate any modifications to the significant risks of material misstatement identified above or if new significant risks of material misstatement are identified during our planning.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Our audit of financial statements does not relieve you of your responsibilities.

Audit Procedures—Internal Control

We will obtain an understanding of the government and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the OMB Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of the City's major programs. For federal programs that are included in the Compliance Supplement, our compliance and internal control procedures will relate to the compliance requirements that the Compliance Supplement identifies as being subject to audit. The purpose of these procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Our audit will also include procedures that are required by the *State Compliance Audit Guide* concerning compliance with State fiscal laws identified by the State Auditor. We use the audit programs of the *State Compliance Audit Guide* to perform our audit procedures. We will issue the necessary reports as required by the *State Compliance Audit Guide* on the City's internal controls over compliance and will issue an opinion on the City's compliance with the state compliance requirements tested.

Responsibilities of Management for the Financial Statements and Single Audit

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes), rules, and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

You are also responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance; (3) additional information that we may request for the purpose of the audit; and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings, if any, should be available for our review on August 1, 2024.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19-related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains, and indicates that we have reported on, the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles (GAAP). You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.mm

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

Other Services

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of the City in conformity with accounting principles generally accepted in the United States of America and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal awards, and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities for the financial statements, schedule of expenditures of federal awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, the schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, the schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of KCHM, LLC dba K&C, Certified Public Accountants (K&C) and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to certain governmental agencies or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of K&C personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by an oversight agency. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Steven Rowley is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We expect to begin our audit on approximately June 15, 2024 with planning and mid-year audit procedures.

Our fee for these services will be $88,500. The above fee is based on anticipated cooperation from the City's personnel and the assumption that unexpected circumstances will not be encountered during the audit and the City's records will be ready to be audited on or around September 1st, 2024. The above fee is also based on the current finance director, chief accountant, and other key accounting personnel being available to assist in the audit process. If the finance director, chief accountant, and/or other key accounting personnel are not available to assist with the audit process, and we anticipate that this circumstance will result in significant additional time, we will stop our audit procedures and will discuss it with the City and arrive at a new fee estimate before we incur the additional costs. Additional services for which we may be asked to perform will be billed at our standard rates. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our reports. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination.

If during the course of our engagement we encounter circumstances which we believe may create a conflict of interest or conflict with the ethical standards of our profession, we will inform the City of our concerns. If these concerns cannot be adequately addressed to our satisfaction, or we are compelled to do so by the professional standards of our profession, we may withdraw from the engagement with a written notice. Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

As members of the AICPA and as required by the *Governmental Auditing Standards*, K&C affirms that we are in compliance with the external quality control Peer Review requirements as required by the related professional standards, rules and policies. Our most recent peer review report can be found on our website www.kccpaoffice.com.

Reporting

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to management and the City Council of the City. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of 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, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. The State Compliance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Those three reports will state that the report is not suitable for any other purpose.

We appreciate the opportunity to be of service to West Valley City and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the attached copy and return it to us.

Very truly yours,

K&C, CPAs

K&C, Certified Public Accountants

RESPONSE:

This letter correctly sets forth the understanding of West Valley City.

Management signature: ____

Title: ____

Date: ____

Governance signature: ____

Title: ____

Date: ____

CERTIFIED PUBLIC
ACCOUNTANTS
Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

May 16, 2024

West Valley City
3600 Constitution Blvd.
West Valley City, Utah 84119-3720

We are pleased to confirm our understanding of the services we are to provide for West Valley City (WVC) Permanent Housing, LLC (the Company)(a component unit of WVC) for the year ended December 31, 2024.

Audit Scope and Objectives

We will audit the financial statements of the Company and the disclosures, which collectively comprise the basic financial statements of the Company as of and for the year ended December 31, 2024. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Company's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Company's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis.

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP; and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

Telephone (801) 590-2600 | 1285 S. 1650 W. Suite 200, Woods Cross, UT 84087

The objectives also include reporting on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and will include tests of accounting records of the Company and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements or noncompliance may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

We have previously identified the following significant risks of material misstatement as part of our audit planning and believe are still relevant:

- Improper revenue recognition (assumed always) – this is the risk that revenue may not be recognized in accordance with GAAP.

- Management override of controls (assumed always) – this is the risk that management may override internal controls through pressure on subordinates or other methods.

As of the date of this letter, we have not completed our planning of the Company's audit, therefore we will communicate any modifications to the significant risks of material misstatement identified above or if new significant risks of material misstatement are identified during our planning.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Our audit of financial statements does not relieve you of your responsibilities.

Audit Procedures—Internal Control

We will obtain an understanding of the government and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Company's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We will also assist in preparing the financial statements and related notes of the Company in conformity with accounting principles generally accepted in the United States of America based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities for the financial statements, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, and related notes and that you have reviewed and approved the financial statements, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with accounting principles generally accepted in the United States of America, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by GAAS and *Government Auditing Standards*.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts or grant agreements that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the Company; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of KCHM, LLC dba K&C, Certified Public Accountants (K&C) and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to certain governmental agencies or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of K&C personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by an oversight agency. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Steven Rowley is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We expect to begin our audit on approximately February 1, 2025.

Our fee for these services will be $5,250. The above fee is based on anticipated cooperation from the Company's personnel and the assumption that unexpected circumstances will not be encountered during the audit and the Company's records will be ready to be audited by February 1, 2025. The above fee is also based on the current finance director, chief accountant, and other key accounting personnel being available to assist in the audit process. If the finance director, chief accountant, and/or other key accounting personnel are not available to assist with the audit process, and we anticipate that this circumstance will result in significant additional time, we will stop our audit procedures and will discuss it with the Company and arrive at a new fee estimate before we incur the additional costs. Additional services for which we may be asked to perform will be billed at our standard rates. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our reports. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination.

If during the course of our engagement we encounter circumstances which we believe may create a conflict of interest or conflict with the ethical standards of our profession, we will inform the Company of our concerns. If these concerns cannot be adequately addressed to our satisfaction, or we are compelled to do so by the professional standards of our profession, we may withdraw from the engagement with a written notice. Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

As members of the AICPA and as required by the *Governmental Auditing Standards*, K&C affirms that we are in compliance with the external quality control Peer Review requirements as required by the related professional standards, rules and policies. Our most recent peer review report can be found on our website www.kccpaoffice.com.

Reporting

We will issue a written report upon completion of our audit of Company's financial statements. Our report will be addressed to management and those charged with governance of the Company. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will state (1) that the purpose of the report is solely to describe the scope of 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 on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The report will also state that the report is not suitable for any other purpose. If during our audit we become aware that the Company is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

We appreciate the opportunity to be of service to West Valley City Permanent Housing, LLC and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the attached copy and return it to us.

Very truly yours,

K&C, CPAs

K&C, Certified Public Accountants

RESPONSE:

This letter correctly sets forth the understanding of West Valley City Permanent Housing, LLC.

Management signature: ____

Title: ____

Date: ____

Governance signature: ____

Title: ____

Date: ____

CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

May 16, 2024

Board of Directors
West Valley Arts
West Valley City, Utah

We are pleased to confirm our understanding of the services we are to provide for West Valley Arts (the Organization) for the fiscal year ended June 30, 2024.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, each major fund, and the disclosures, which collectively comprise the basic financial statements of the Organization as of and for the year ended June 30, 2024. The Organization will be a combination of Utah Cultural Celebration Center Foundation, which is reported as a blended component unit of West Valley City (WVC)(fund 38), WVC's Theatre Fund (fund 23), and WVC's Utah Cultural Celebration Center fund (fund 37). Both the WVC's Theatre fund and WVC's Utah Cultural Celebration fund are included in WVC's Annual Comprehensive Financial Report as part of the Community Services Fund. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Organization's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Organization's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis.
2. Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Major Governmental Funds

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP; and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

The objectives also include reporting on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and will include tests of accounting records of the Organization and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

We have previously identified the following significant risks of material misstatement as part of our audit planning and believe are still relevant:

- Improper revenue recognition (assumed always) – this is the risk that revenue may not be recognized in accordance with GAAP.

- Management override of controls (assumed always) – this is the risk that management may override internal controls through pressure on subordinates or other methods.

As of the date of this letter, we have not completed our planning of the Organization's audit, therefore we will communicate any modifications to the significant risks of material misstatement identified above or if new significant risks of material misstatement are identified during our planning.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Our audit of financial statements does not relieve you of your responsibilities.

Audit Procedures—Internal Control

We will obtain an understanding of the government and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Organization's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We will also assist in preparing the financial statements and related notes of the Organization in conformity with accounting principles generally accepted in the United States of America based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities for the financial statements, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, and related notes and that you have reviewed and approved the financial statements, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with accounting principles generally accepted in the United States of America, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by GAAS and *Government Auditing Standards*.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts or grant agreements that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the Organization; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of KCHM, LLC dba K&C, Certified Public Accountants (K&C) and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to certain governmental agencies or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of K&C personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by an oversight agency. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Steven Rowley is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We expect to begin our audit on approximately September 1, 2024.

Our fee for these services will be $7,860. The above fee is based on anticipated cooperation from the Organization's personnel and the assumption that unexpected circumstances will not be encountered during the audit and the Organization's records will be ready to be audited by September 1, 2024. The above fee is also based on the current finance director, chief accountant, and other key accounting personnel being available to assist in the audit process. If the finance director, chief accountant, and/or other key accounting personnel are not available to assist with the audit process, and we anticipate that this circumstance will result in significant additional time, we will stop our audit procedures and will discuss it with the Organization and arrive at a new fee estimate before we incur the additional costs. Additional services for which we may be asked to perform will be billed at our standard rates. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our reports. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination.

If during the course of our engagement we encounter circumstances which we believe may create a conflict of interest or conflict with the ethical standards of our profession, we will inform the Organization of our concerns. If these concerns cannot be adequately addressed to our satisfaction, or we are compelled to do so by the professional standards of our profession, we may withdraw from the engagement with a written notice. Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

As members of the AICPA and as required by the *Governmental Auditing Standards*, K&C affirms that we are in compliance with the external quality control Peer Review requirements as required by the related professional standards, rules and policies. Our most recent peer review report can be found on our website www.kccpaoffice.com.

Reporting

We will issue a written report upon completion of our audit of Organization's financial statements. Our report will be addressed to management and those charged with governance of the Organization. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will state (1) that the purpose of the report is solely to describe the scope of 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 on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The report will also state that the report is not suitable for any other purpose. If during our audit we become aware that the Organization is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

We appreciate the opportunity to be of service to West Valley Arts and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the attached copy and return it to us.

Very truly yours,

K&C, CPAs

K&C, Certified Public Accountants

RESPONSE:

This letter correctly sets forth the understanding of West Valley Arts.

Management signature: ____

Title: ____

Date: ____

Governance signature: ____

Title: ____

Date: ____

CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

May 16, 2024

West Valley City
3600 Constitution Blvd.
West Valley City, Utah 84119-3720

We are pleased to confirm our understanding of the services we are to provide for West Valley Housing Authority, a component unit of West Valley City (the Entity).

You will agree to the procedure described as follows and will acknowledge that the procedure to be performed is appropriate for the intended purpose of the engagement, which is the determination of whether the electronic submission of certain information agrees with the related hard copy documents within the audit reporting package.

We will apply the agreed-upon procedure which the Entity and the U.S. Department of Housing and Urban Development (HUD), Public Indian Housing-Real Estate Assessment Center (PIH-REAC), have specified and agreed to, listed in the attached schedule, on the electronic submission and related hard copy documents listed in the attached schedule and the related hard copy documents within the audit reporting package of the Entity as of and for the year ended June 30, 2024.

Our engagement to apply the agreed-upon procedure will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we obtain your written agreement to the procedures to be applied and your acknowledgment that those procedures are appropriate for the intended purpose of the engagement, as described in this letter. The agreement and acknowledgment are contained within this letter. A refusal to provide such agreement and acknowledgment will result in our withdrawal from the engagement. We make no representation that the procedures we will perform are appropriate for the intended purpose of the engagement or for any other purpose.

Because the agreed-upon procedure listed in the attached schedule do not constitute an examination or review, we will not express an opinion or conclusion on whether the electronic submission of the items listed in the "UFRS Rule Information" column agrees with the related hard copy documents within the audit reporting package. In addition, we have no obligation to perform any procedures beyond those listed in the attached schedule to which you agree.

We plan to begin our procedures as soon as the information is available and ready to submit (approximately December 2024 or January 2025) and, unless unforeseeable problems are encountered, the engagement should be completed by February 28, 2025.

We will issue a written report upon completion of our engagement that lists the procedure performed and our findings. Our report will be addressed to the Entity. If we encounter restrictions in performing our procedures, we will discuss the matter with you. If we determine the restrictions are appropriate, we will disclose the restrictions in our report. You understand that the report is intended solely to describe the procedure performed and the associated findings, and not to provide an opinion or conclusion. Accordingly, the report is not suitable for any other purpose.

Telephone (801) 590-2600 | 1285 S. 1650 W. Suite 200, Woods Cross, UT 84087

Our report will include a statement indicating we were not engaged to and did not conduct an examination or review. Our report will also include a statement indicating that we have not performed any additional auditing procedures after the date of our reports on the audited financial statements and supplemental information and a statement indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Further, we take no responsibility for the security of the information transmitted electronically to PIH-REAC.

There may exist circumstances that, in our professional judgment, will require we withdraw from the engagement. Such circumstances include the following:

- You refuse to provide written agreement to the procedures and acknowledge that they are appropriate for the intended purpose of the engagement.
- You fail to provide requested written representations, or we conclude that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or we conclude that the written representations provided are otherwise not reliable.
- We determine that the description of the procedures performed or the corresponding findings are misleading in the circumstances of the engagement.
- We determine that restrictions on the performance of procedures are not appropriate.

You are responsible for designing, implementing, and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. An agreed-upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws or regulations; however, should any such matters come to our attention, we will communicate them in accordance with professional standards and applicable law. In addition, if, in connection with this engagement, matters come to our attention that contradict the electronic submission and related hard copy documents listed in the attached schedule, we will communicate such matters to you. Such communication, if any, may not necessarily include all matters that might have come to our attention had we performed additional procedures or an examination or review.

You agree to the procedures to be performed and acknowledge that they are appropriate for the intended purpose of the engagement.

You are responsible for the electronic submission of the items listed in the "UFRS Rule Information" listed in the attached schedule of the Entity as of and for the year ended June 30, 2024 and that it is in accordance with the hard copy documents also listed in the attached schedule; and for selecting the criteria and determining that such criteria are appropriate for your purposes. You are responsible for providing us with (1) access to all information of which you are aware that is relevant to the performance of the agreed-upon procedure on the subject matter, (2) additional information that we may request for the purpose of performing the agreed-upon procedure, and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence relating to performing the procedure.

You agree to retain a copy of the OMB Uniform Guidance reporting package in its entirety.

The attest documentation for this engagement is the property of KCHM, LLC dba K&C, Certified Public Accountants (K&C) and constitutes confidential information. However, we may be requested to make certain attest documentation available to the Secretary of Housing and Urban Development or designee, the

HUD Inspector General, or the U.S. Government Accountability Office or their representatives, pursuant to authority given to them by law or regulation. We will notify you of any such request. If requested, access to such attest documentation will be provided under the supervision of K&C personnel. Furthermore, upon request, we may provide copies of selected attest documentation to HUD or the Government Accountability Office representatives. HUD and the Government Accountability Office may decide to distribute the copies or information contained therein to others, including other governmental agencies.

Steven Rowley is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. At the conclusion of our engagement, we will require certain written representations in the form of a representation letter from management that, among other things, will contain management's acknowledgment that the electronic submission to PIH-REAC of the information listed in the attached schedule agrees with the related hard copy documents within the OMB Uniform Administrative Requirements reporting package.

Our fee for these services is $885. Our invoices for these fees are payable upon presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination. That fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the Entity and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

K&C, CPAs

K&C, Certified Public Accountants

RESPONSE:

This letter correctly sets forth the understanding of West Valley Housing Authority.

Signature: ___________________________________

Title: ____

Date: ____

SCHEDULE OF AGREED UPON PROCEDURES

1) Compare the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column as shown in the chart below:

UFRS Rule Information	Hard Copy Document(s)
Balance Sheet, Revenue and Expense, and Cash Flow Data (account numbers 111 to 11210)	Financial Data Schedule of component unit
Footnotes (G5000-010)	Footnotes to audited basic financial statements of the reporting entity.
Type of opinion on FDS (data element G3100-040)	Auditor's Supplemental Report on FDS (Financial Data Templates)

OFFICE OF THE
STATE AUDITOR

Implementation Guide

Revised December 2020

Fraud Risk Assessment

Background

The Office of the State Auditor (Office) regularly receives complaints of fraud or abuse by local government officials. The Office is also aware of internal investigations performed by local governments of their own officials and employees. Some of these situations receive significant media coverage, while others are resolved with less publicity. In either case, the level of concern by the public and local and state officials is significant. Many have asked the Office for more direction on how to prevent such occurrences in the future. The program outlined in this guide is designed to help measure and reduce the risk of undetected fraud, abuse, and noncompliance in local governments of all types and sizes. This assessment is a starting point, it is the hope of the Office that local governments will add to and adapt this form to improve how they manage their internal controls and the risk of fraud, waste and abuse.

Internal Controls as a Discipline

Professional literature, as well as our own experience, indicates that the solution to the reduction of fraud risk lies in effective internal controls. Internal controls are the policies, practices, and processes that ensure the operations of an organization are performed effectively and efficiently. Internal Controls are also intended to deter or prevent the misuse of public funds. Since internal controls require time and resources, entities should seek to reduce risk to an acceptable level, not eliminate risk altogether. In other words, a lock should never cost more than the item it is intended to protect.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a group of organizations dedicated to providing frameworks and guidance on risk management, internal control, and fraud deterrence. COSO publishes a document "Internal Control – Integrated Framework" (the COSO Framework). The COSO Framework is noted as the gold standard for designing and implementing an entity-wide internal control program for all organizations including governments. The Government Accountability Office (GAO) publishes its own guidance for proper internal controls in government entities known as the Green Book. The Green Book follows the COSO Framework, but adds some specific context that is unique to the government environment. We used both of these publications as resources for this project.

The COSO Framework includes five principles:

- Tone at the Top
- Risk Assessment
- Control Activities
- Communication

- Monitoring

Incorporating these five principles into an organization is a recommended but complex endeavor. Most accountants and auditors have been trained on these principles, but full implementation requires additional training and a commitment throughout the organization to be effective. We recommend every organization with the resources use COSO, GAO, GFOA, or any other reputable source as an aid to implementing a comprehensive internal control program.

Due to the expense, most local governments in Utah lack the resources necessary to completely implement the COSO Framework. Our goal is to take the concepts of the COSO Framework and boil them down to specific measures that every local government can incorporate at minimal cost. If properly implemented, we believe these measures will reduce the risk of undetected fraud, abuse, and noncompliance. We have also developed a risk assessment model that provides a basic evaluation of an entity's fraud risk, based upon required separation of duties and our recommended measures.

Recommended Measures

1. Separate Duties over Cash Accounts (Crucial)

Widely recognized as a crucial internal control, separation of duties includes separating the powers of the treasurer and clerk (the person who performs the accounting function, regardless of title), as required by state law. If the roles and responsibilities of treasurer and clerk are *not* 1) separate, 2) independent, and 3) monitored by the governing board, the risk of financial fraud and abuse increases.

In general, the treasurer is responsible for the collection and custody of funds while the clerk validates payment requests, ensures compliance with policy and budgetary restrictions, prepares checks, and records all financial transactions. In situations where proper separation of duties are not maintained, mitigating controls must be implemented. Because of the extreme importance of this control, we have developed a separate questionnaire (see attached) to help determine if basic separation of duties or mitigating controls are in place.

2. Require a Commitment of Ethical Behavior

Purpose

A critical, fundamental, and far-reaching problem facing government today is the lack of public trust and confidence. Government officials are expected to perform their government duties without using their position for personal benefit. A written statement on ethical behavior will provide clarity and serve as a physical reminder of the aspirations of the organization.

Overview

Maintaining an ethical environment requires setting an example and communicating proper expectations at every level of the organization. Training and re-enforcement of ethical standards must be continuous and applicable. Expectations must point to the highest standards and not excuse bad behavior by anyone for any reason.

Implementation

We recommend the entity set clear expectations and exercise consistent enforcement. We recommend instilling a culture rewarding high ethical standards, rather than rewarding cutting corners or engaging in questionable or self-serving behavior. We recommend that every entity have a written policy and strong practices that address a standard of ethical behavior, including prohibited activities, required disclosures, and clear directions on how and to whom disclosures should be submitted and reviewed. We also recommend that the entity require elected or appointed officials and employees to annually commit in writing to abide by the entity's standards of ethical behavior. This practice will provide an opportunity to review the policy and identify any potential or actual conflicts of interest. Requiring periodic confirmation will deter individuals from acting unethically and identify issues before they become problematic.

3. Adopt and Put Into Practice Written Policies

Overview

The governing body should evaluate policies to make sure they establish proper oversight and direct the organization toward the desired outcomes. The following are key policies along with certain elements that we have identified that are either required by law or best practices to improve the internal control system. As a matter of practical implementation, template policies that contain these elements are available on the Office's website at resources.auditor.utah.gov.

a. Conflict of Interest
   1. Specifies who is required to declare conflicts.
   2. States that if a new conflict arises during course of business it must be reported.
   3. Requires each public official/employee to complete a disclosure form on an at least an annual basis.
   4. Identifies the individual/position responsible to gather disclosure forms.
   5. Disclosure forms provide the user a way to disclose conflicts or indicate that they have no conflicts.
   6. Disclosure forms must list the name and position of the public official/employee.
   7. Disclosure forms must list the name of the business entity and ownership interest or position for a business regulated by the entity for which there is a conflict.
   8. Disclosure forms must list the name of the business entity and ownership interest or position for businesses doing business with the entity.
   9. Disclosure forms must list any investments that may create a conflict with the entity.
   10. The disclosure shall be made in a sworn statement filed with the entity's governing body.

b. <u>Procurement</u>

Seek the best value for the entity and promote a competitive purchasing process.

1. Specifies a small item threshold allowing employee or department discretion.
2. Specifies documentation required for each level of purchasing (e.g. small purchases, medium purchases and purchases requiring competitive bid).
3. Specifies purchasing procedures (e.g. advertising methods and time frames, rejection of bids, appeals) for items requiring competitive bid.
4. Lists exemptions and documentation needed for not following regular bidding requirements (e.g. sole source provider, emergency purchases etc.).
5. Addresses improper or illegal conduct:
    a) Prohibits dividing a procurement to avoid following policy (Utah Code 63G-6a-2404.3)
    b) Prohibits kickbacks (Utah Code 63G-6a-2404)
    c) Requires disclosure of conflicts of interest (Utah Code 63G-6a-2406)
    d) Prohibits cost-plus-a-percentage-of-cost contracts (Utah Code 63G-6a-1205)
    e) Lists other specific activities that are not allowed (Utah Code 67-16 applies to the state and all political subdivisions)
6. Designates a purchasing agent, specify who may sign contracts including requirement for contracts that must go before the governing body.
7. Has an ethics provision and/or reference Utah Code 67-16.
8. Documents consequences of violating the policy (e.g. formal reprimand, suspension, termination or criminal prosecution).

c. <u>Ethical Behavior</u>

1. Prohibits participation in decisions or actions in which the employee or official has real or reasonably perceived conflict (see conflict of interest policy).
2. Prohibits use of authority for personal gain or that of close friends, family, or business associates.
3. Prohibits receiving gifts, loans or bribes.
4. Requires confidentiality regarding any information not subject to GRAMA.
5. Prohibits violation of nepotism laws (Utah Code 52-3).
6. Prohibits misuse of public resources or property (Utah Code 76-8-4).
7. References the Utah Public Officer and Employee Ethics Act (Utah Code 67-16).
8. Establishes individual accountability, including consequences for noncompliance (e.g. suspension, termination).

d. <u>Reporting Fraud and Abuse</u>

1. Requires the reporting of inappropriate actions or behavior.
2. Provides reporting structure, including alternatives if the employee's normal supervisor is involved.
3. Provides guidance on the type of actions and behaviors which must be reported.
4. Provides guidance on the information to be provided (e.g. names, dates, times, descriptions, effects) when reporting fraud or abuse.
5. Provides whistleblower protection or referrers to Utah Code 67-21-3.
6. Provides for the evaluation, investigation and possible consequences of the alleged action or behavior.

7. Provides for feedback to the employee reporting the action and the governing body.

e. Travel
    1. Establishes a process to authorize travel expenditures (i.e. preauthorization).
    2. Defines what constitutes allowable and unallowable travel and clearly establishes reasonable limits.
    3. Establishes a reporting structure with senior management reporting to the governing body.
    4. Establishes individual accountability, including consequences for noncompliance (e.g. suspension, termination, recovery of funds, inability to travel).
    5. Requires adequate record keeping (documentation of time, place, business purpose, and authorization).
    6. Communicates the public nature of purchase records.
    7. Ensures enough information is gathered and communicated to maintain accountability and measure performance.
    8. Has a provision to comply with external reporting requirements (e.g. IRS, Utah Public Finance Website reporting).

f. Credit/Purchasing Cards
    1. Credit/purchase card issuance should be approved by governing body.
    2. Establishes procedures for independent review and reconciliation of each card.
    3. Establishes card holder accountability including consequences for noncompliance (e.g. suspension, termination, recovery of funds, or loss of card privileges).
    4. Establishes required practices to ensure the security of the card (e.g. signing, storing, and who can use the card).
    5. Establishes procedures for card use (e.g. documentation required, timelines, reconciliations, restrictions).

g. Personal Use of Entity Assets
    1. Establishes allowable uses, or disallows use, of entity assets and rates if applicable (e.g. making photocopies, use of heavy equipment).
    2. Establishes individual accountability, including consequences for noncompliance (e.g. suspension, termination, recovery of funds or loss of privileges).

h. IT & Computer Security
    1. Establishes allowable uses of information systems, computer equipment, and the internet.
    2. Discloses to the user that the entity has the right to monitor and limit the activities on entity IT systems.
    3. Establishes individual accountability, including consequences for noncompliance (e.g. suspension, termination, recovery of funds, or loss of privileges).

i. Cash Receipting and Deposit
    1. Establishes a timeline for entering receipts into the accounting system.
    2. Establishes a timeline for depositing funds in the bank that complies with the Utah Money Management Act (3 days).

3. Establishes security measures for holding funds before deposit (e.g. safe, vault).
4. Establishes a receipting process for giving the customer documentation of the transaction and also provide sufficient information to understand the purpose of the transaction for management review or audit.
5. Establishes a procedure for entering credit card and ACH transactions into the accounting system.
6. Establishes a separation of duties between the person receiving payments and the person making deposits (smaller entities may require dual sign-off on deposits).
7. Establishes required documentation for voiding or altering a cash receipt, including that it be reviewed by someone that didn't make the correction.
8. Requires system-generated or sequentially-numbered receipts to allow for a review of completeness.
9. Requires cash deposits and receipts to be reconciled and/or reviewed by someone not receiving cash.

4. Hire and Train Qualified Staff

Purpose

In order to ensure the effective and efficient delivery of government services, each entity should identify the knowledge, skills, and abilities (KSA) needed by its management and employees. In technical areas, KSA often align with formal credentials, such as a degree or license. Accounting is an area where degrees and professional designations usually indicate a level of proficiency.

Overview

A licensed Certified Public Accountant (CPA) is the most common designation of a person who possesses the KSA needed to oversee the day-to-day financial operations of an entity. There are several other designations that may indicate similar KSA, such as Certified Government Financial Manager (CGFM), Certified Management Accountant (CMA), Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), Certified Government Auditing Professional (CGAP), and Certified Public Finance Officer (CPFO). At a minimum, we recommend that every entity have someone with a bachelor's degree in accounting as part of its staff.

Implementation

While not every local government entity needs a full-time CPA, every entity should utilize a qualified accountant to ensure that its finances are protected and accurately reported. Most accounting firms and professional bookkeeping services provide a variety of services on an as-needed basis. We recommend every local government evaluate the level of KSA possessed by its accounting staff and consider contracting with an accounting professional. The accounting professional could perform some or all of the accounting and ensure that the entity has effectively implemented internal controls and meets reporting requirements.

To aid local government entities in identifying and procuring the services of qualified accounting professionals, the Office maintains a qualified vendor list included on the Office's website at resources.auditor.utah.gov. The firms on this list have met the requirements set forth by the Office to provide bookkeeping, compliance reporting, or financial statement preparation for local governments.

5. Provide Effective Training

Overview

Training is vital to any organization, especially governments, where services are essential to economic prosperity and basic human needs. Public officials and key employees need to possess at least a basic understanding of the legal requirements of their entity. We encourage entities to consider the KSA needed to support the services provided by their entity, then determine the appropriate level of training that is needed to maintain those KSA. The entity should provide resources to attend sufficient and appropriate training on an ongoing basis.

Implementation

The Office provides comprehensive but basic training on financial topics for local government board members and finance officers. However, this training serves only as an introduction for those who are new or previously untrained in local government financial matters. We recommend board members and finance officers identify and participate in organizations that provide more advanced training. These organizations may be specific to the government type (e.g. counties, charter schools), a specific type of operation (e.g. sewer, water), or a specific job within the organization (e.g. treasurer, finance officer).

At a minimum, board members should view our online basic but comprehensive training every four years (see training.auditor.utah.gov). Also, at least one member of the finance team, preferably the chief finance officer, should have 40 hours of financial training each year. Financial training includes: auditing, accounting, budgeting, reporting, internal controls, fraud prevention and detection, software, and any other topic that is related to the management of finances.

6. Implement a Hotline

Definition

A hotline is a means by which the public and employees can anonymously report concerns about improper behavior of an entity's officers or employees or concerning practices of the entity.

Overview

Fraud losses are 50% smaller at organizations with hotlines than those without hotlines. According to the Association of Certified Fraud Examiners, 40% of reported instances of fraud are discovered through a tip. More than half of these tips were provided by an employee of the organization and 46% of fraud cases detected by tip were reported through a hotline.

Implementation

An effective hotline can be implemented at virtually no cost and can be as simple as providing an email address or phone number. Hotline submissions should be sent directly to a person who has the resources and objectivity to evaluate the concern and investigate if warranted. All complaints and the results of investigations should be presented to the audit committee of the entity in a timely fashion.

Hotlines should be promoted and easy to access (most entities put a link to their hotline on the main page of their website). Every entity should have a written policy that includes the following:

1. Methods for receiving complaints (e.g. email, phone number).
2. A provision for anonymous complaints.
3. Sufficient direction to ensure complaints are given adequate treatment as follows:
    a. An initial screening of complaints to be performed by an office not involved in the complaint (this could be accomplished by having it performed by more than one office if an independent internal audit function does not exist or it could be sent directly to the audit committee).
    b. Audit committee:
        i. Reviews available evidence.
        ii. Determines if further investigation is merited. If so;
            - Sets the scope of audit
            - Sets a budget
            - Sets a timeline
            - Provides resources
    c. Audit results are reported to the audit committee.
    d. Audit committee approves findings and recommendations.
    e. Audit committee ensures that findings and recommendations are addressed by the appropriate officers or employees.
    f. Feedback provided to the complainant, if requested.

7. Implement an Internal Audit Function

Definition

An internal audit function is an organizational initiative to monitor and analyze the entity's own operations in order to determine how well it conforms to a set of specific criteria, such as laws, policies, or best practices. Internal auditors are independent of the work they audit, but are very familiar with it so as to allow them to determine compliance with the requirements for that work.

Overview

An internal audit may focus on financial operations, systems, processes, or compliance. As part of the internal audit plan, auditors try to find discrepancies between operational design and operational reality. Internal audits also help uncover evidence of fraud, waste, or abuse. If internal auditors find discrepancies or inappropriate activities, they document and report them to entity leadership who can prioritize and direct corrective action.

The frequency of internal audits will depend on the department or process being examined. Some types of operations may require daily audits for quality control, others may require only an annual audit of records.

Internal audit plans act as a pre-emptive step in maintaining operational efficiency and financial reliability, as well as safeguarding assets.

Implementation

An internal audit function should be formalized by the adoption of an Internal Audit Charter which identifies who is responsible to oversee the internal audit function and who will perform the internal audits.

Those responsible for internal audits should adopt an audit plan which identifies what will be audited and when it will be audited. The audit plan should be reviewed regularly, usually once per year.

Adaptation for small entities

Only the largest of our local governments can justify a full-time internal auditor. Most local governments can execute an effective internal audit program by contracting with an audit professional to work a few days a year. To eliminate added costs entirely, some entities may coordinate with peer entities and utilize each other's financial staff to act as internal auditors. Keep in mind, internal auditors need a solid understanding of audit principles and should use work programs that are designed to effectively identify violations of the laws or policies they are auditing.

8. Use an Audit Committee

Purpose

An audit committee assists the governing body in its financial oversight responsibilities.

Membership

We recommend that members of the audit committee are a subset of the governing body. An audit committee should have a financial expert who is not a member of management. This can be achieved by having a governing body member who is a financial expert, or acquiring the assistance of a volunteer or paid professional financial expert. Finance officers from other local governments should be considered when looking for a financial expert, as they are independent and have a working knowledge of government accounting issues.

Functions

An audit committee must ensure the following:

1. Management develops and enforces systems that ensure the entity accomplishes its mission effectively and efficiently while complying with laws and regulations.
2. The internal audit function objectively assesses the effectiveness of management's internal control program.
3. Financial statement audits are performed by a qualified, independent accounting firm and issues identified during those audits are reviewed and resolved as appropriate.
4. Hotline complaints are investigated and findings are addressed by the governing body.

Risk Score

We have developed a five-level assessment score that is intended to communicate the entity's risk of undetected fraud, abuse, or noncompliance. The levels are based upon points assigned to each of the recommended measures. Since some measures are more effective than others, the most effective measures are assigned the most points. As more measures are adopted the score improves. The higher the score, the lower the risk.

The scale and corresponding levels are as follows:

- Very Low
- Low
- Moderate
- High
- Very High

See the *Fraud Risk Assessment Questionnaire* (attached) for specific points assigned to each measure and how point totals correspond to the risk scale.

Office of the
State Auditor

Questionnaire

Revised December 2020

Fraud Risk Assessment

INSTRUCTIONS:

- Reference the *Fraud Risk Assessment Implementation Guide* to determine which of the following recommended measures have been implemented.
- Indicate successful implementation by marking "Yes" on each of the questions in the table. Partial points may not be earned on any individual question.
- Total the points of the questions marked "Yes" and enter the total on the "Total Points Earned" line.
- Based on the points earned, circle/highlight the risk level on the "Risk Level" line.
- Enter on the lines indicated the entity name, fiscal year for which the Fraud Risk Assessment was completed, and date the Fraud Risk Assessment was completed.
- Print CAO and CFO names on the lines indicated, then have the CAO and CFO provide required signatures on the lines indicated.

Fraud Risk Assessment

Continued

*Total Points Earned: _395_/395 *Risk Level:

Very Low	Low	Moderate	High	Very High
> 355	316-355	276-315	200-275	< 200

	Yes	Pts
1. Does the entity have adequate basic separation of duties or mitigating controls as outlined in the attached Basic Separation of Duties Questionnaire?	X	200
2. Does the entity have governing body adopted written policies in the following areas:		
a. Conflict of interest?	X	5
b. Procurement?	X	5
c. Ethical behavior?	X	5
d. Reporting fraud and abuse?	X	5
e. Travel?	X	5
f. Credit/Purchasing cards (where applicable)?	X	5
g. Personal use of entity assets?	X	5
h. IT and computer security?	X	5
i. Cash receipting and deposits?	X	5
3. Does the entity have a licensed or certified (CPA, CGFM, CMA, CIA, CFE, CGAP, CPFO) expert as part of its management team?	X	20
a. Do any members of the management team have at least a bachelor's degree in accounting?	X	10
4. Are employees and elected officials required to annually commit in writing to abide by a statement of ethical behavior?	X	20
5. Have all governing body members completed entity specific (District Board Member Training for local/special service districts & interlocal entities, Introductory Training for Municipal Officials for cities & towns, etc.) online training (training.auditor.utah.gov) within four years of term appointment/election date?	X	20
6. Regardless of license or formal education, does at least one member of the management team receive at least 40 hours of formal training related to accounting, budgeting, or other financial areas each year?	X	20
7. Does the entity have or promote a fraud hotline?	X	20
8. Does the entity have a formal internal audit function?	X	20
9. Does the entity have a formal audit committee?	X	20

*Entity Name: ___________West Valley City_______________________________

*Completed for Fiscal Year Ending: _____6/30/2024_ *Completion Date: ____05/06/2024____

*CAO Name: ________Ifo Pili______________ *CFO Name: ________Jim Welch________

*CAO Signature: _______________________ *CFO Signature: ________________________

*Required

Basic Separation of Duties

See the following page for instructions and definitions.

	Yes	No	MC*	N/A
1. Does the entity have a board chair, clerk, and treasurer who are three separate people?	X			
2. Are all the people who are able to receive cash or check payments different from all of the people who are able to make general ledger entries?			X	
3. Are all the people who are able to collect cash or check payments different from all the people who are able to adjust customer accounts? If no customer accounts, check "N/A".	X			
4. Are all the people who have access to blank checks different from those who are authorized signers?	X			
5. Does someone other than the clerk and treasurer reconcile all bank accounts OR are original bank statements reviewed by a person other than the clerk to detect unauthorized disbursements?	X			
6. Does someone other than the clerk review periodic reports of all general ledger accounts to identify unauthorized payments recorded in those accounts?	X			
7. Are original credit/purchase card statements received directly from the card company by someone other than the card holder? If no credit/purchase cards, check "N/A".	X			
8. Does someone other than the credit/purchase card holder ensure that all card purchases are supported with receipts or other supporting documentation? If no credit/purchase cards, check "N/A".	X			
9. Does someone who is not a subordinate of the credit/purchase card holder review all card purchases for appropriateness (including the chief administrative officer and board members if they have a card)? If no credit/purchase cards, check "N/A".	X			
10. Does the person who authorizes payment for goods or services, who is not the clerk, verify the receipt of goods or services?	X			
11. Does someone authorize payroll payments who is separate from the person who prepares payroll payments? If no W-2 employees, check "N/A".	X			
12. Does someone review all payroll payments who is separate from the person who prepares payroll payments? If no W-2 employees, check "N/A".	X			

* MC = Mitigating Control

OFFICE OF THE
STATE AUDITOR

Questionnaire

Revised December 2020

Basic Separation of Duties

Continued

Instructions:

Answer questions 1-12 on the Basic Separation of Duties Questionnaire using the definitions provided below.

☺ If all of the questions were answered "Yes" or "No" with mitigating controls ("MC") in place, or "N/A," the entity has achieved adequate basic separation of duties. Question 1 of the Fraud Risk Assessment Questionnaire will be answered "Yes." 200 points will be awarded for question 1 of the Fraud Risk Assessment Questionnaire.

☹ If any of the questions were answered "No," and mitigating controls are not in place, the entity has not achieved adequate basic separation of duties. Question 1 of the Fraud Risk Assessment Questionnaire will remain blank. 0 points will be awarded for question 1 of the Fraud Risk Assessment Questionnaire.

Definitions:

Board Chair is the elected or appointed chairperson of an entity's governing body, e.g. Mayor, Commissioner, Councilmember or Trustee. The official title will vary depending on the entity type and form of government.

Clerk is the bookkeeper for the entity, e.g. Controller, Accountant, Auditor or Finance Director. Though the title for this position may vary, they validate payment requests, ensure compliance with policy and budgetary restrictions, prepare checks, and record all financial transactions.

Chief Administrative Officer (CAO) is the person who directs the day-to-day operations of the entity. The CAO of most cities and towns is the mayor, except where the city has a city manager. The CAO of most local and special districts is the board chair, except where the district has an appointed director. In school districts, the CAO is the superintendent. In counties, the CAO is the commission or council chair, except where there is an elected or appointed manager or executive.

General Ledger is a general term for accounting books. A general ledger contains all financial transactions of an organization and may include sub-ledgers that are more detailed. A general ledger may be electronic or paper based. Financial records such as invoices, purchase orders, or depreciation schedules are not part of the general ledger, but rather support the transaction in the general ledger.

Mitigating Controls are systems or procedures that effectively mitigate a risk in lieu of separation of duties.

Original Bank Statement means a document that has been received directly from the bank. Direct receipt of the document could mean having the statement 1) mailed to an address or PO Box separate from the entity's place of business, 2) remain in an unopened envelope at the entity offices, or 3) electronically downloaded from the bank website by the intended recipient. The key risk is that a treasurer or clerk who is intending to conceal an unauthorized transaction may be able to physically or electronically alter the statement before the independent reviewer sees it.

Treasurer is the custodian of all cash accounts and is responsible for overseeing the receipt of all payments made to the entity. A treasurer is always an authorized signer of all entity checks and is responsible for ensuring cash balances are adequate to cover all payments issued by the entity.