MINUTES
OGDEN CITY FINANCIAL AUDIT COMMITTEE
December 7, 2023

Minutes of the Ogden City Financial Audit Committee held on Thursday, December 7, 2023, at 3:00 p.m., held in person and via electronic means hosted at 2549 Washington Boulevard, Ogden City, Weber County, Utah.

Present:	Chair	Sherman Smith
	Committee members	Ken Richey
		Marcia White (via Zoom)
	Ex-Officio members	Council Executive Director Janene Eller-Smith
		Council Deputy Director Glenn Symes
		Comptroller Justin Sorensen
		Management Services Director Lisa Stout
		Chief Administrative Officer Mara Brown

Also present: Deputy Comptroller Korahle Jansen
HBME Partner Jeff Miles, CPA (via Zoom)
Chief Deputy Recorder Lee Ann Peterson

Chair Smith welcomed those present.

Approval of Minutes

COMMITTEE MEMBER RICHEY MOVED TO APPROVE THE MINUTES OF THE MEETING HELD JUNE 2, 2023. MOTION WAS SECONDED BY CHAIR SMITH, ALL VOTING AYE.

Review Fiscal Year 2023 Audit Process and Results

Mr. Miles stated that the fieldwork is 95% done for financial statement audit. There is a new accounting standard that came out this year related to software agreements and he received the information required for that review from Deputy Comptroller Jensen today. He is going through that to make sure that it all looks proper and then once he finishes that up the fieldwork is substantively complete. As far as the audit process this year Mr. Miles feels like the audit went fairly well. There were some small little adjustments through the audit process and most of those came from Ms. Jensen and a journal entry needs to be recorded, but nothing that really slowed up or caused any significant issues with the audit from a compliance standpoint. The Auditor's do not have any State compliance findings but do have a recommendation. The State requirement when it comes to meeting minutes is that they are supposed to be posted to the Public Notice Website within three days and that is occurring. But the step before that is having them available within 30 days of the meeting happening. There are some meeting minutes that are not being reviewed or being prepared to be reviewed by the City Council within 30 days. So, the recommendation is to have those prepared and ready for review within 30 days of the initial meeting. That is a verbal recommendation with respect to meeting minutes. Chair Smith said the comment is really a sort of constructive one and helpful, but not necessarily dealing with the financial audit but compliance with State requirements. Management Services Director Stout said the City has already been in discussions with the City Recorder and it has been brought up with Council

Executive Director Eller-Smith. The City would like to talk to the State Auditor's Office about a couple of questions the City has with their recommendations and comments they had in their audit. Then a meeting will be held with Ms. Eller-Smith and a process proposed that could potentially work. One of the challenges we have is the City has a lot of public meetings, and committees that have public meetings, so being within 30 days on all of those is going to be very challenging.

Mr. Miles said as far as the single audit is concerned only one program is subject to audit this year which is CDBG and he has requested all of the information from the City and has worked through that. The Auditor's do not anticipate any findings for the single audit and the anticipation is to have that report as well as the State compliance report issued with the financial statements before year end.

Mr. Miles indicated as Ms. Jensen was preparing the financial statements, she found an error that happened in the 2021 audit. There had been a misallocation between restricted cash and interest expense between the water, sewer, and sanitary sewer funds. The Auditor's talked through the process and wondered if there was room in this year to run it through the current year or should it be transferred in next year's budget. The best course of action would be to adjust the fund balance in those three funds. Realizing that the firm did not necessarily identify that in the 2021 audit, Mr. Miles went back and looked at the work papers. To give some context to the issue, there was a new bond issuance that year that spanned across those three funds. The debt balance was confirmed and verified about how the City had allocated the bond balance between the three funds. The outstanding debt balance was also confirmed with the bank as well as the total interest expense. Mr. Miles pointed out that the firm failed to do the next step of making sure that allocation of interest was proper between the three fund's interest expense in total for the City was accurately reported. The firm felt it necessary to adjust that fund balance and those three funds in this year's audit, as well correct the restricted cash balances for each of those of those three funds. It is "egg on the firm's face" as well because they are the ones who signed the audit report. Mr. Miles looked at the comments because they do some preliminary analytical procedures at the start of the audit and looked at why interest expense is so high in those funds. They each had $10 million of new bonds but interest expense should not have increased as much as it had.

Mr. Miles asked Chair Smith's opinion as to whether an adjustment like that constitute a significant deficiency or material weakness that needs to be reported. The process has changed since 2021. There was not the same issue in 2022 or 2023 so in part there is a hesitancy to have a finding in 2023 that relates to 2021. This is the first time in his career that he's had to deal with this type of arrangement when taking over from a prior auditor. Chair Smith believes that as long as the client is identifying it, it means that the system is working, and he is not sure that it would constitute a significant finding event. Mr. Miles talked to his fellow partners about it and if it would have been found in 2021 the firm probably would have reported it as a significant deficiency, but the processes have improved. The firm knows the process is working and how it should be in the current year. Chair Smith said it does two things: it highlights the process but also speaks to the integrity of the client.

Mr. Miles asked if there were any questions from the Committee members, or any questions or concerns that needs to be addressed before the finalizing of the financial statements. Chair Smith asked about the timing in terms of finishing the financial statements. Mr. Miles has done his first preliminary review of the financial statements. There were a couple of sections that were not included in the initial draft that was given so, the first process was to make sure everything that is in the financial statements ties to the audited numbers and then the firm went back and forth on the new accounting standard and how to present that. Mr. Miles said the firm has been given the updated report with the MDNA and the transmittal letter and that is what is being worked on. The draft will be updated and revisions made and then when that draft is done it will be ready to have one of the audit partners do their quality control review. The firm is still waiting for one more journal entry related to litigation that might change the balance for commitments and contingencies. Ms. Stout said there is a meeting with the City Attorney to review any open claims that the City might need to accrue additional funds for and that is a final step to making sure the financials are correct. After that information is received, Ms. Jensen will be able to make corrections and then the quality control review will take place. The hope is to have everything wrapped up the Friday before Christmas and then have the statements, everything issued and uploaded to the State by the end of the month.

Chair Smith indicated that there is nothing about any findings other than the compliance with a legal requirement by the State regarding minutes. Mr. Miles remarked he feels like the finance team at the City does a great job and that they are very much in tune with what's happening and has great oversight of everything that is in the financial statements.

Committee member White asked if the City needs to create a policy regarding posting of minutes or is there already an internal policy. Ms. Eller-Smith replied that there is not a policy, but the City Council has requested in-depth minutes and those take time. So, what has been happening is that the results of the votes taken in a meeting have been uploaded to the website and the City Attorney has deemed that that meets the requirement. On the website the agenda is posted with the actions completed. For instance, if the action was adoption of an item, it is listed along with the vote count such as "Approved 6-1" or "Approved 7-0". With the turnover in the Recorder's office and the sheer volume of meetings the City has, it is really hard to meet the requirement. The option is to reduce the comprehensiveness of the minutes or hire more people to do minutes. Chief Administrative Officer Brown pointed out that the meetings are live and there is also the full recording that is available to citizens as well within the same time period. With the results condensed version plus a complete recording the City considered those to be compliant with state law. Also, because of the detail wanted in the minutes it is taking additional time to get those reviewed and approved. Ms. Eller-Smith said the comprehensiveness of the minutes has been at the request of the City Council. Ms. Stout said part of the issue is the adopted minutes are supposed to be available within 30 days. She thinks the City is compliant on proposed minutes because of everything that is being done right now, but it is the adoption of the minutes that is the concern. City Recorder Hansen has mentioned that the Council packets are permanent records and that maybe the City can do some referring instead of summarizing all the materials. Mr. Miles commented it probably warrants a conversation with the State Auditor's Office about what meets the 30 days rule. Mr. Stout said Ms. Hansen wants to talk to the Auditor's Office about what "pending" minutes are perceived to be.

Chair Smith referenced the minutes of the last audit committee meeting and said there was a reference to some agreed upon procedures. Mr. Miles stated the agreed upon procedures were with expectations and reviews of the Redevelopment Agency and the Airport. Mr. Miles mentioned that Aaron Hickson is going to be overseeing those procedures and after the quality control review next week, Mr. Hickson will be reaching out to the City to make requests. Ms. Eller-Smith commented she believes the agreed upon procedures for the Redevelopment Agency have been finalized and she can provide those, but agreed upon procedures will still need to finalized for the Airport. Mr. Miles indicated that the agreed upon procedures are only going to be as good as how they are defined. The Airport has been a "hot button" issue lately and the firm wants to make sure they are performing procedures that help the Council make the best decisions they can with respect to the Airport.

Ms. Eller-Smith asked Mr. Miles about his availability for meetings with the Council. There will not be a regular meeting on January 2, 2024, so the "accept for review" of the audit will take place on January 9, 2024, during the regular meeting. Mr. Miles responded that he or Mr. Hickson would be available. Ms. Eller-Smith pointed out there will be a work session to formally review the audit and annual comprehensive financial report after that.

There being no further business to come before the Committee, **CHAIR SMITH MOVED TO ADJOURN THE MEETING AT 3:25 P.M. MOTION WAS SECONDED BY COMMITTEE MEMBER RICHEY, ALL VOTING AYE.**

Lee Ann Peterson

LEE ANN PETERSON, MMC
CHIEF DEPUTY CITY RECORDER

APPROVED: June 14, 2024