

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management, the Honorable Mayor,
and the City Council
City of Greeley, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Greeley, Colorado (the "City") as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 15, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Findings 2021-001 and 2021-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as Finding 2021-003.

The City's Responses to the Findings

Government Auditing Standards require the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

To Management, the Honorable Mayor,
and the City Council
City of Greeley, Colorado

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

March 15, 2023

Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

Financial Statement Audit Findings

Reference Number	Finding
2021-001	<p>Finding Type - Material weakness</p> <p>Criteria - The City should have a process in place to complete monthly and year-end adjustments, supporting reconciliations and workpapers, and accounting records in a timely manner.</p> <p>Condition - The City's general ledger and underlying accounting records were not reconciled and closed in a timely manner throughout the year.</p> <p>Context - The City provided year-end adjustments, reconciliations, and general ledger balances related to the year ended December 31, 2021 after the recommended typical closing period for a city. Year-end adjustments, updates to schedules, and final supporting reconciliations and workpapers were received through February 2023.</p> <p>Cause - The City implemented a new ERP system during the year, which resulted in significant delays in the financial reporting process. Additionally, the City had staffing issues, which exacerbated the delays in completing monthly and year-end adjustments, supporting reconciliations and workpapers, and accounting records.</p> <p>Effect - Untimely preparation of year-end adjustments, supporting reconciliations and schedules, and accounting records does not allow for the City to produce audited financial statements by the due date set by the State of Colorado and yields the potential for errors in financial reporting to not be detected in a timely manner. In addition, providing adjustments and general ledger balances near the commencement of the audit creates inefficiencies in the process.</p> <p>Recommendation - The City should ensure it has adequate resources to fully and accurately reconcile and record activity in a timely manner.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Due to significant challenges related to the implementation of a new ERP system, which went live on January 1, 2021, staff spent a significant amount of time reconciling data to be able to complete the 2021 audit. Staff acknowledges the lateness of the monthly and year-end adjustments, supporting reconciliations and workpapers, and accounting records. Additional resources were utilized in late 2021 and 2022 to help stabilize the ERP system. Additional accounting and report writing resources are being secured to ensure the City can get back on a timely basis moving forward.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2021

Financial Statement Audit Findings (Continued)

Reference Number	Finding
2021-002	<p data-bbox="362 531 773 556">Finding Type - Material weakness</p> <p data-bbox="362 581 1479 667">Criteria - The City should have a process in place to ensure year-end journal entries are properly recorded in accordance with generally accepted accounting principles (GAAP) prior to the commencement of the audit.</p> <p data-bbox="362 693 1479 749">Condition - Year-end journal entries necessary to state the financial statements in accordance with GAAP were identified as part of the audit.</p> <p data-bbox="362 774 1479 919">Context - The City failed to properly record ARPA revenue and unearned revenue until the auditor questioned the amount recorded on the trial balance. Additionally, the City failed to defer revenue related to grant funds that have not been received within period of availability but are expected to be collected. This second issue surrounding the failure to defer revenue related to grant funds was not material and was reported as a passed adjustment.</p> <p data-bbox="362 945 1479 1001">Cause - Processes were not in place to ensure year-end closing entries were properly recorded in the general ledger prior to the commencement of the audit.</p> <p data-bbox="362 1026 1479 1083">Effect - If the year-end ARPA journal entry identified above had not been recorded, the financial statements would have been materially misstated.</p> <p data-bbox="362 1108 1479 1165">Recommendation - The City should continue to evaluate its internal control system to ensure its control procedures properly identify and record all year-end journal entries.</p> <p data-bbox="362 1190 1479 1392">Views of Responsible Officials and Planned Corrective Actions - Staff acknowledges that the ARPA entry was recorded differently than the auditors recommend based on GASB guidance. Due to lack of guidance clarity from the U.S. Treasury department on the ARPA program, accounting staff recorded the ARPA money as revenue based on the fact that it was reimbursing revenue loss. An entry was made to record it as unearned revenue per the auditor's comment and the City will use this method moving forward for reporting ARPA funding per the auditor's comment.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2021

Financial Statement Audit Findings (Continued)

Reference Number	Finding
2021-003	<p>Finding Type - Material noncompliance with laws and regulations</p> <p>Criteria - The City was required to file the audited financial statements to the State of Colorado by the extended deadline of September 30, 2022.</p> <p>Condition - The City was not able to file the audited financial statements by the deadline date.</p> <p>Context - Audited financial statements were filed in March 2023.</p> <p>Cause - The City implemented a new ERP system during the year, which resulted in significant delays in the financial reporting process. Additionally, the City had staffing issues, which exacerbated the delays in completing monthly and year-end adjustments, supporting reconciliations and workpapers, and accounting records.</p> <p>Effect - As described in Findings 2021-001 and 2021-002, the City was not able to reconcile and record all general ledger activity in the time period that would have allowed the City to file the audited financial statements in a timely manner.</p> <p>Recommendation - The City should ensure it has adequate resources to fully and accurately reconcile and record activity in a timely manner in order to allow for timely submission of the audited financial statements to the State.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Due to significant challenges related to the implementation of a new ERP system, which went live on January 1, 2021, staff spent a significant amount of time reconciling data to be able to complete the 2021 audit. Staff acknowledges the lateness of the monthly and year-end adjustments, supporting reconciliations and workpapers, and accounting records. Additional resources were utilized in late 2021 and 2022 to help stabilize the ERP system. Additional accounting and report writing resources are being secured to ensure the City can get back on a timely basis moving forward.</p>