



HILDALE CITY, UTAH
Other Items Communicated to Management
For the Year Ended June 30, 2021

Management
Hildale City, Utah

The following are findings and recommendations that have not been included with our finding and recommendations letter to the governing body since they include additional details of those findings, are only related to suggestions for improvements to accounting functions, and/or they may be deemed to be less significant and/or management is aware of the findings and are working on resolutions.

2021-001. Tracking Equity Classifications

We noted that the City is not regularly tracking and monitoring equity classifications, including restricted and assigned balances. The significant changes to management and accounting personnel in recent years has contributed to the lack of controls and uncertainty in this area. For example, city personnel are unfamiliar with certain assigned balances such as Industrial Park and risk management.

Recommendation

We recommend management and accounting personnel become familiar with the City's equity classifications and establish procedures to regularly track and monitor this activity.

2021-002. Utility Department Customer Construction Projects—Billing and Documentation

The City's process for billing customer construction projects in the utility department appears to be relatively informal and lacking controls. As we asked city personnel about selected construction revenue transactions and the billing process, there was uncertainty as to what documentation is maintained in determining the fee amount. The City's Utility Department Work Order Form is not always properly and timely completed and the process for determining the fee amount is relatively informal.

Recommendation

We recommend the City review its process and controls over the billing for customer construction projects. The amounts and rates charged should be clearly listed on the City's fee schedule and should be consistently applied to all customers. The City should maintain a work order form for each billing that includes all required information (supporting the determination of the fee amount) and approvals. Documentation should be maintained for each transaction.

2021-003. Purchase Orders, Invoices and Disbursements

In reviewing documentation and discussing with city personnel, we noted that purchases orders are not always being used in accordance with the City's policy. It's our understanding that a purchase order is required for all purchases over \$250 (except for recurring type bills). We also noted instances where quotes or statements are used to record expenses and/or make payments rather than actual invoices. This can cause incorrect expenses to be recorded and/or payments to be made.

Recommendation

We recommend the City review its policies and procedures and related controls for purchasing and disbursements. The City should ensure that controls over purchasing and disbursements are adequate and functioning.

2021-004. Payroll Expense Coding

During our audit we noted inconsistencies in how salaries and wages, benefit and payroll taxes are coded and allocated to the expense accounts among funds and departments. Payroll taxes and benefits for some employees are broken out to separate payroll taxes and benefit expense accounts and some are combined with salaries and wages expense accounts. Also, bonus-type compensation is often coded to benefit accounts instead of salaries and wages.

Recommendation

We recommend the City establish procedures for greater consistency in how salaries and wages, benefits and payroll taxes are coded and allocated to the expense accounts among funds and departments.

2021-005. Internal Service Funds—Transfer Allocation Percentages

There seemed to be some uncertainty in the allocation percentages of the internal service fund transfers (mainly fund 65). It was unclear which amended budget (allocation percentages) should apply. We also noted significant allocation changes in recent years.

Recommendation

The City should establish procedures that will enable any budget amendments to be clearly documented. All applicable city personnel should have a clear understanding of which budget and allocation percentages are in effect. We recommend the City try to be more consistent from year to year on the allocation percentages for the internal service fund transfers.

2020-002.

Budget Issues

During our audit we noted several issues relating to the City's budget. With the recent turnover in city personnel/management, there was uncertainty regarding balances of the originally adopted and final amended budgets. Furthermore, it appears the final amended budget amounts per the City's budget did not completely agree to the budget amounts in Caselle (the City's accounting software). Having accurate budget information in Caselle, from which budget-and-actual reports are generated, is important in assisting management and the governing body manage and govern the City.

Recommendation

The City should establish procedures that will enable the final adopted (original budget) and any budget amendments to be clearly documented. The City's procedures should enable the budget (and budget amendments) to be accurately included in Caselle.

2019-001.

Bank Reconciliations

The June 30, 2021 bank reconciliation for one bank account included a significant incorrect outstanding item. We also noted two PTIF accounts that had been closed earlier in the fiscal year, still had general ledger balances at June 30, 2021. We also noted the cash clearing account had a significant balance as of June 30, 2021.

Recommendation

We recommend the City follow its policies and procedures to prepare and review monthly bank reconciliations. The City's policies and procedures should ensure that the bank reconciliations are prepared timely and accurately. Such reconciliations of bank accounts provide important safeguards and controls to ensure the proper recording, deposit and disposition of the City's funds.

2017-002.

Accounts Receivable—Contracts

The City has some receivables on a contract basis (e.g. working with customers to establish a payment plan). It's our understanding that there are no formal policies and procedures and the balances are not being reconciled and monitored regularly. Furthermore, with the personnel changes in recent years, it appears there is increased uncertainty surrounding the contract receivable process and balances.

Recommendation

We recommend the City either formalize its process for establishing contract receivables or eliminate the additional process and combine it with the regular accounts receivable process. The City should ensure that any contract receivables are being regularly monitored, tracked and reconciled.

2017-003. Accounts Receivable—Accrual and Allocation of Penalties and Interest

The City allocates interest and penalties revenue from water, wastewater and solid waste accounts receivable balances only to the water fund.

Recommendation

Since the interest and penalties charged are based on outstanding accounts receivable balances, we recommend the related revenues be allocated to the funds based on the respective receivable balances.

2014-002. Reconciliation of Subsidiary Schedules

The utility customer deposit report at June 30, 2021 did not reconcile with the related general ledger control accounts. The difference appears to primarily relate to prior years. There has been some uncertainty as to which subsidiary schedules should be used.

Some of the utility accounts receivable balances are reconciled to the general ledger control accounts; however, at June 30, 2021 there were differences between the accounts receivable by service report as compared to the respective general ledger accounts. The differences as of June 30, 2021 were eliminated by adjustments through cash clearing.

Recommendation

We recommend that the accounts receivable and customer deposits subsidiary ledgers be reconciled to the general ledger control accounts regularly and timely (i.e. monthly). We also recommend that any future differences be investigated and adjusted appropriately in order to facilitate future monthly reconciliations.

2010-001. Fraud Risk Management Program

The City has apparently not formally developed a fraud risk management program that is appropriate for the size and complexity of the City, including identifying fraud risks and taking appropriate action to reduce or eliminate risks.

Recommendation

We recommend that the City formally develop and adopt a fraud risk management program that is appropriate for the size and complexity of the City, including identifying fraud risks and taking appropriate action to reduce or eliminate the risks. The City should coordinate its fraud risk management program with the fraud risk assessment program that is now required by the Office of the State Auditor.

Sincerely,



HintonBurdick, PLLC

May 26, 2022