



OFFICE OF THE
STATE AUDITOR



◦ STATE OF UTAH ◦

Utah Inland Port Authority

Government Auditing Standards Report

Report No. 23-11

For the year ended June 30, 2023

December 20, 2023

Office of the State Auditor

Audit Leadership:

John Dougall, State Auditor

Bertha Lui, CPA, Audit Director

Caleb Tindall, CPA, Audit Supervisor

Table of Contents

Independent Auditor’s Report	1
Findings & Recommendations	3
Finding 1. Errors in Financial Reporting Preparation Process	3
Finding 2. Noncompliance with Bond Requirements	4



OFFICE OF THE
STATE AUDITOR

Independent Auditor's Report

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

To the Board of Directors
and
Ben Hart, Executive Director
Utah Inland Port Authority

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 the governmental activities and each major fund and the budgetary comparison information of the Utah Inland Port Authority (the Authority), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 to 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding 1 and 2 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2.

Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to *Utah Code* Title 63G Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.

Office of the State Auditor

Office of the State Auditor

Salt Lake City, Utah

December 20, 2023

Findings & Recommendations

Finding 1. Errors in Financial Reporting Preparation Process

(Finding Type: significant deficiency)

The Authority does not have adequate internal controls to ensure lease liabilities, lease assets, and pension-related activities are properly reported in the financial statements in accordance with generally accepted accounting principles. As a result, multiple adjustments were needed to fairly present the Authority's financial activity, including:

- a. A \$4,037,365 adjustment was made to report the proper remeasurement of lease liabilities and assets of a lease agreement. The Authority's decision to not to exercise an option in the lease agreement during the year resulted in significant change in payments and required remeasurement according to Governmental Accounting Standards Board Statement No. 87, *Leases*.
- b. An \$808,594 adjustment to pension liability, a \$307,326 adjustment to pension expenses, and a \$345,722 adjustment to deferred outflow related to pensions were made to properly account for pension activities.

These adjustments occurred due to turnover of key financial positions in fiscal year 2023, inadequate review and analyses, and inadequate understanding in the preparation of the financial statements.

To ensure the financial statements materially reflect the Authority's financial position, the Authority should perform sufficient reviews and analyses and obtain an adequate understanding of financial statement reporting. Inadequate controls over the preparation process may result in undetected material misstatements in the financial statements.

Recommendation:

We recommend the Authority establish and perform sufficient reviews and analyses and obtain adequate understanding of information sufficient to ensure information presented in the financial statements materially reflects the Authority's financial position.

Authority's Response:

We agree. UIPA has started discussions to improve financial statement preparation through the use of additional reviews and outside expertise. In addition, internal personnel responsible for the preparation of financial statements will continue to receive training to better understand complex financial reporting aspects.

Finding 2. Noncompliance with Bond Requirements

(Finding Type: significant deficiency)

The Authority did not comply with their revenue bond's periodic reporting requirements in fiscal year 2023. The fiscal year 2022 Annual Financial Report was due to the trustee on November 5, 2022, and ten days later the report should have been filed with the Municipal Securities Rulemaking Board (MSRB). However, the Authority did not submit the report to the Trustee and MSRB until July 31, 2023, and August 1, 2023, respectively. The Authority received a "Notice of Failure to File Report" from the Bond Trustee and MSRB. The lateness of the report was caused by a lack of controls because the Authority lacks an understanding of its responsibilities over bond compliance and the Authority experienced turnover of its key financial positions. Noncompliance with bond reporting requirements may cause legal proceedings as the bondholder may take necessary actions, including a court order, to enforce compliance.

Recommendation:

We recommend the Authority gain an understanding of its responsibilities over bond compliance requirements and strengthen their internal controls to ensure compliance with those requirements.

Authority's Response:

We agree. UIPA will continue to work with bond counsel and the trustee to gain a complete understanding of bond requirements and ensure full compliance.