



Federal Awards Reports in Accordance with the Uniform
Guidance

December 31, 2021

City of Fargo, North Dakota

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* 1

Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance 3

Schedule of Expenditures of Federal Awards 7

Notes to Schedule of Expenditures of Federal Awards 11

Schedule of Findings and Questioned Costs 12



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 Honorable Mayor and
Members of City Commission
City of Fargo, North Dakota
Fargo, North Dakota

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, each major fund, and the aggregate remaining fund information of the City of Fargo, North Dakota (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 June 29, 2022.

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 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. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 that we consider to be a significant deficiency.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Mankato, Minnesota
June 29, 2022



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Mayor and
Members of City Commission
City of Fargo, North Dakota
Fargo, North Dakota

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the City of Fargo, North Dakota’s (the City) compliance with the types of compliance identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended December 31, 2021. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Drinking Water State Revolving Fund Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Drinking Water State Revolving Fund Cluster Program for the year ended December 31, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the 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 other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2021.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on the Drinking Water State Revolving Fund Cluster

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Assistance Listing No. 66.468 Drinking Water State Revolving Fund Cluster as described in finding number 2021-002 for Procurement, Suspension, and Debarment.

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Mankato, Minnesota
June 29, 2022

City of Fargo, North Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
Department of Agriculture				
<i>Indirect Federal Funding passed through-</i>				
North Dakota Department of Health WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	G19.1013A & G21.413	\$ 556,151	
Total Department of Agriculture				\$ 556,151
Department of Housing and Urban Development				
<i>Direct Federal Funding:</i>				
Community Development Block Grants/Entitlement Grants	14.218	N/A	1,111,517	\$ 850,907
COVID-19 - Community Development Block Grants/Entitlement Grants	14.218	N/A	<u>288,563</u>	284,401
Total CDBG - Entitlement Grants Cluster			1,400,080	
Home Investment Partnerships Program	14.239	N/A	539,663	102063
<i>Indirect Federal Funding passed through-</i>				
North Dakota Division of Community Services				
COVID-19 - Emergency Solutions Grant Program	14.231	4862-ESG20-CV	427,798	
Emergency Solutions Grant Program	14.231	4955-ESG21	<u>14,500</u>	
CFDA subtotal				\$ 442,298
Total Department of Housing and Urban Development				2,382,041
				1,237,371
Department of Justice				
<i>Direct Federal Funding:</i>				
Public Safety Partnership and Community Policing Grants	16.710	N/A	11,476	
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	N/A	20,575	
<i>Indirect Federal Funding passed through-</i>				
State of North Dakota Office of Attorney General				
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	40416	11,761	11,761
CFDA subtotal				32,336
<i>Indirect Federal Funding passed through-</i>				
Cass County				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-H3621-ND-DJ & 2020-H7399-ND-DJ	33,969	
North Dakota Association of Counties				
Juvenile Justice and Delinquency Prevention	16.540	2018-JF-FX-0009	<u>5,570</u>	
Total Department of Justice				83,351
				11,761

City of Fargo, North Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
Department of Labor				
<i>Indirect Federal Funding passed through-</i>				
Job Service North Dakota				
COVID-19 - Unemployment Insurance	17.225	Unknown	<u>26,930</u>	
Total Department of Labor				26,930
Department of Transportation				
<i>Direct Federal Funding:</i>				
Airport Improvement Program	20.106	N/A	7,182,243	
COVID-19 - Airport Improvement Program	20.106	N/A	<u>5,342,100</u>	
CFDA subtotal				12,524,343
Federal Transit Formula Grants	20.507	N/A	2,569,592	
COVID19 - Federal Transit Formula Grants	20.507	N/A	5,326,852	
CFDA subtotal				
<i>Indirect Federal Funding passed through-</i>				
North Dakota Department of Transportation				
Buses and Bus Facilities Formula, Competitive, and Low or				
No Emissions Programs	20.526	38190960C, 38190959A, 38201125A, & 38190961B	<u>203,747</u>	
Total Federal Transit Cluster				8,100,191
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	38190973B, 38210812, & 38201124	<u>258,436</u>	
Total Transit Services Programs Cluster				258,436
State and Community Highway Safety	20.600	PHSPOP2105-05-06, PHSPOP2205-05- 08, PHSPDD2111-02-05, & PHSPSC2107- 04-05	20,939	
National Priority Safety Programs	20.616	PHSPID2110-12-02, PHSPID2110-02-06, PHSPID2110-03-02, PHSPID2210-02-07, & PHSPID2210-03-02	<u>23,265</u>	
Total Highway Safety Cluster				<u>44,204</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PHSPID2210-12-03	960	
Total Department of Transportation				20,928,134

City of Fargo, North Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
Department of the Treasury				
<i>Direct Federal Funding:</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	369,239	
<i>Indirect Federal Funding passed through-</i>				
North Dakota Department of Commerce				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>100,000</u>	
CFDA subtotal				469,239
North Dakota Department of Health				
COVID-19 - Coronavirus Relief Fund	21.019	G19.745B & G19.1073A	3,569,914	803,846
Job Service North Dakota				
COVID-19 - Coronavirus Relief Fund	21.019	Unknown	493	
CFDA subtotal			<u>3,570,407</u>	
Total Department of the Treasury				<u>4,039,646</u> <u>803,846</u>
Department of the Treasury				
<i>Direct Federal Funding:</i>				
COVID-19 - Shuttered Venue Operators Grant Program	59.075	N/A	4,735,942	
Total Department of Labor				4,735,942
Environmental Protection Agency				
<i>Direct Federal Funding:</i>				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	N/A	22,401	
<i>Indirect Federal Funding passed through-</i>				
North Dakota Department of Health				
		380715-04, 380715-05, 380715-06, 380715-07, 380715-08, & 380715-09		
Capitalization Grants for Clean Water State Revolving Funds	66.458		<u>42,917,096</u>	
Total Clean Water State Revolving Fund Cluster				42,917,096
Capitalization Grants for Drinking Water State Revolving Funds	66.468	0900336-04	<u>4,766,609</u>	
Total Drinking Water State Revolving Fund Cluster				4,766,609
Performance Partnership Grants	66.605	F19.012 & G19.086	<u>1,649</u>	
Total Environmental Protection Agency				<u>47,707,755</u>

City of Fargo, North Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
Department of Health and Human Services				
<i>Indirect Federal Funding passed through-</i>				
North Dakota Department of Health				
Public Health Emergency Preparedness	93.069	G19.766A, G19.786A, G19.774A, G21.242A, G21.008, & G21.031	340,408	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	G19.1211	20,741	
Family Planning Services	93.217	G19.625A & G19.1240A	222,684	
Immunization Cooperative Agreements	93.268	G21.043 & G19.904	83,492	
COVID-19 - Immunization Cooperative Agreements	93.268	G19.1294	<u>667,795</u>	56,133
CFDA subtotal			751,287	
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	G19.1073A	23,650	
COVID-19 - Activities to Support STLT Health Department Department Response to Public Health or Healthcare Crises	93.391	G19.1073A, G19.1294, & G21.468	341,698	
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	G19.858A, G19.1344, & G19.1046	177,782	
HIV Care Formula Grants	93.917	G19.650A & G19.1256A	178,653	
HIV Prevention Activities Health Department Based	93.940	PF19.191 G19.1031, G19.1064, G21.436, & G21.372	29,274	
Preventive Health and Health Services Block Grant	93.991	G19.961 & G19.1223A	18,900	
Maternal and Child Health Services Block Grant to the States	93.994		48,918	
North Dakota Department of Human Services				
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	010-12052A	319	
Lutheran Social Services				
Refugee and Entrant Assistance Discretionary Grants	93.576	2021-HP 3	<u>1,294</u>	
Total Department of Health and Human Services				2,155,608 56133
Department of Homeland Security				
<i>Indirect Federal Funding passed through-</i>				
State of North Dakota Department of Emergency Services				
COVID-19 - Disaster Grants - Public Assistance	97.036	DR4509	31,471	
Pre-Disaster Mitigation Grant Program	97.047	PDMC-PL-08-ND-2018-001 & PDMC-PL- 08-ND-2018-023	2,259,065	
Homeland Security Grant Program	97.067	3, 7, & 46	457,301	
Cass County				
Emergency Management Performance Grants	97.042	31 & 34	<u>53,222</u>	
Total Department of Homeland Security				<u>2,801,059</u> -
Total Federal Financial Assistance			<u>\$ 85,416,617</u>	<u>\$ 2,109,111</u>

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*. The City received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the City.

Note B – Summary of Significant Accounting Policies

Expenditures reported in the schedule of expenditures of federal awards are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on cash basis. Expenditures are recognized when they become a demand on current available financial resources. The City's summary of significant accounting policies is presented in Note 1 in the City's basic financial statements.

Note C – Indirect Cost Rate

The City has not elected to use the 10% de minimis cost rate.

Note D – Loan Programs

As of December 31, 2021, the City's liability relating to the Storm Sewer, Water, and Waste Water Expansion – State Revolving Fund (SRF) Loans (CFDA # 66.458 and 66.468) is \$179,594,385.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	No
Type of auditor's report issued on compliance for major programs:	Unmodified for all major federal programs except for 66.468, which was a qualified opinion.
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Airport Improvement Program	
General Funding	20.106
CARES Act Additional Airport Improvement Funding	20.106
Federal transit Cluster	20.526
COVID-19 Shuttered Venue Operators Grant Program	59.075
Drinking Water State Revolving Fund Cluster	66.468
COVID-19 Coronavirus Relief Fund	21.019
Dollar threshold used to distinguish between type A and type B programs:	\$ 2,562,499
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

**2021-001 Segregation of Duties
 Significant Deficiency**

Criteria: The City has a lack of segregation of duties.

Condition: A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), preparation, record keeping and reconciliation functions.

Cause: The City has a good system of segregation of controls. However, due to turnover in staffing during the year and near year end, there was not staffing with the requisite training and knowledge to prepare the Schedule of Expenditures of Federal Awards, therefore, one individual prepared and reviewed the Schedule of Expenditures of Federal Awards.

Effect: Inadequate segregation of duties could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation: Management should ensure there is separation in the individual preparing the Schedule of Expenditure of Federal Awards and the individual reviewing and approving the schedule.

Views of Responsible Officials: Management is in agreement with the finding.

Section III – Federal Award Findings and Questioned Costs

**2021-002 Drinking Water State Revolving Fund Cluster/CFDA Number 66.468
Procurement, Suspension, and Debarment
Material Weakness in Internal Control over Compliance and Material Noncompliance**

Criteria: A good system of internal accounting control contemplates an adequate system for ensuring that all covered transactions are procured using appropriate methodology in accordance with Uniform Guidance at 2 CFR 200.320.

Condition: During the course of our engagement, we noted one contract awarded for electrical work related to an unspecified scope project due to the unique nature of the project. Due to the uncertainty over the scope of the work needed to be performed and the technical difficulty of the work, the City inappropriately utilized sole source methodology to award the contract to an electrical contractor that had previously worked on the building and had a significant history of high-quality reasonable work. The City awarded a time and materials contract to the vendor without a written contract, therefore not having the required contract provisions under Uniform Guidance as well as not the required components of a time and materials contract.

Cause: The City has a system of internal controls to utilize a sole source procurement methodology, however, the City's controls failed to detect the improper usage of the contract.

Effect: The control deficiency could result in the City not appropriately procuring services and awarding contracts at higher costs or not to the most appropriate vendor due to the lack of open competition.

Questioned Costs: None reported.

Context/Sampling: Sample of three contracts or individual transactions over the micro purchase threshold were tested out of a total population of five.

Repeat Finding from Prior Year(s): No

Recommendation: Management should ensure individuals approving the request for sole source procurement methodology are aware of sole source requirements under Uniform Guidance and ensure a system of controls is implemented to ensure written contracts with required provisions are obtained for all covered contracts.

Views of Responsible Officials: Management is in agreement with the finding.