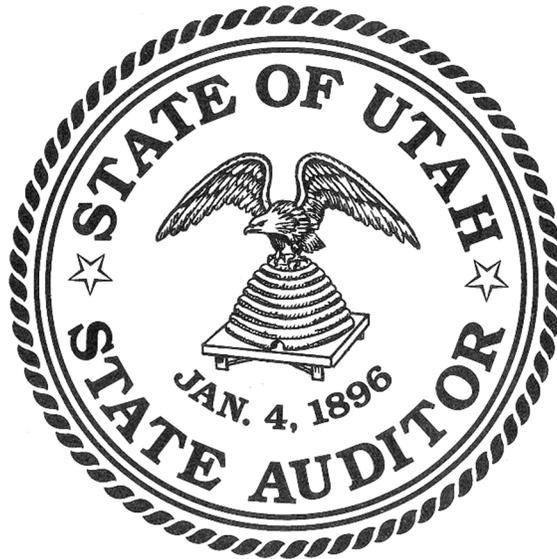


UTAH STATE UNIVERSITY

Single Audit Management Letter
For the Year Ended June 30, 2019

Report No. 19-12



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Hollie Andrus, CPA, Audit Director
Sean Clayton, Audit Senior

UTAH STATE UNIVERSITY
Single Audit Management Letter
 FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

			<u>Page</u>
SINGLE AUDIT MANAGEMENT LETTER			1
FINDING AND RECOMMENDATION:	<u>Federal Program</u>	<u>Type/ Applicability</u>	
Untimely Review and Approval of Cash Draws	Student Financial Assistance Programs	SD-f	3

<u>Finding Type:</u> SD Significant Deficiency of Internal Control	<u>Applicable To:</u> f Federal Program
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OFFICE OF THE
STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER NO. 19-12

December 4, 2019

David T. Cowley, Vice President for
Business and Finance
Utah State University
1445 Old Main Hill
Logan, Utah 84322-1445

Dear Mr. Cowley:

This management letter is issued as a result of Utah State University's (University's) portion of the statewide single audit for the year ended June 30, 2019. Our final report on compliance and internal control over compliance issued to meet the reporting requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is issued under separate cover. We tested the Student Financial Assistance cluster of programs at the University, including:

- 84.007 Federal Supplemental Educational Opportunity Grants
- 84.033 Federal Work-Study Program
- 84.038 Federal Perkins Loan Program
- 84.063 Federal Pell Grant Program
- 84.268 Federal Direct Student Loans

In planning and performing our statewide compliance audit of the programs listed above, we considered the University's compliance with the types of compliance requirements subject to audit as described in the *OMB Compliance Supplement* for the year ended June 30, 2019. We also considered the University's internal control over compliance with the types of requirements described above that could have a direct and material effect on the programs tested in order to determine the audit procedures that were appropriate in the circumstances for the purpose of expressing an opinion on compliance 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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 to detect and correct on a timely basis noncompliance with a type of compliance requirement of a federal program. *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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to be reported under Uniform Guidance.

Our consideration of internal control over compliance was for the limited purposes described in the second paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in the University's internal control over compliance that we consider to be material weaknesses. We did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

The University's written response to and Corrective Action Plan for the finding identified in our audit were not subjected to the audit procedures applied in our audit and, accordingly, we express no opinion on it.

The purpose of this communication is solely to describe the scope of our testing of internal control over compliance and the results of that testing and not to provide an opinion on the effectiveness of the University's internal control over compliance. Accordingly, this communication is not suitable for any other purpose.

We appreciate the courtesy and assistance extended to us by the University's personnel during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



Hollie Andrus, CPA
Audit Director
801-808-0467
handrus@utah.gov

cc: Dan Christensen, Controller
Jodi Bailey, Chief Audit Executive, Internal Audit Services
Art Young, Financial Aid Director

FINDING AND RECOMMENDATION

UNTIMELY REVIEW AND APPROVAL OF CASH DRAWS

Federal Agency: **Department of Education**

CFDA Numbers and Titles: **84.007 Federal Supplemental Educational Opportunity Grants**
84.033 Federal Work-Study Program
84.063 Federal Pell Grant Program
84.268 Federal Direct Student Loans

Federal Award Numbers: **Various**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

Utah State University (University) did not perform post-draw reviews and approvals of any financial aid cash draws which occurred during our review period of July 2018 to March 2019. According to 2 CFR 200.303(a), the University should establish and maintain effective internal controls over federal awards that provide reasonable assurance that the University is in compliance with federal statutes. The University has established a policy that post-draw reviews be performed timely; however, employee turnover and lack of understanding the importance of this control resulted in the control failures. If cash draws are not reviewed in a timely manner, improper draws, questioned costs, or interest liabilities to the University could occur.

Recommendation:

We recommend the University review and approve draws timely in accordance with its policies.

University's Response:

We agree with the finding.

Corrective Action Plan:

An employee in Sponsored Programs Accounting, different from the employee who draws down the money, will perform timely post-draw reviews and approvals, with appropriate documentation.

Contact Person: Jennifer Jenkins, Manager of Sponsored Programs Accounting, 435-797-1070
Anticipated Correction Date: November 30, 2019