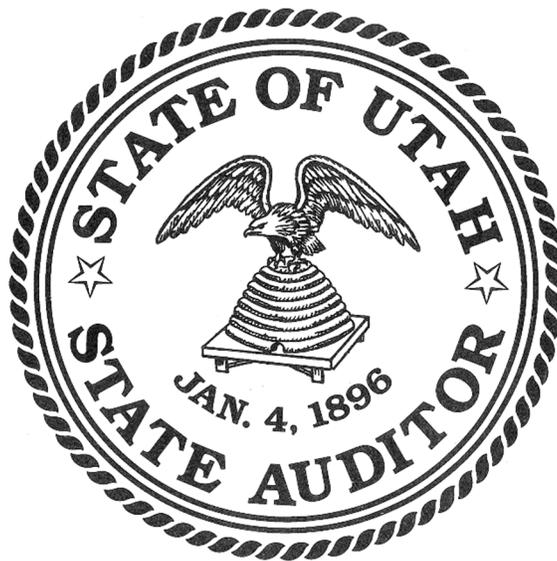


UNIVERSITY OF UTAH

Single Audit Management Letter
For the Year Ended June 30, 2018

Report No. 18-23



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Hollie Andrus, CPA, Audit Director
Jason Allen, CPA, CFE, Senior Audit Manager



OFFICE OF THE
STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER

December 11, 2018

To the Board of Trustees, Audit Committee,
and
Ruth V. Watkins, President
University of Utah

This management letter is issued as a result of the University of Utah's (University's) portion of the statewide single audit for the year ended June 30, 2018. 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.

In planning and performing our statewide single audit of the Research and Development Cluster, we considered the University's compliance with the applicable types of compliance requirements as described in the *OMB Compliance Supplement* for the year ended June 30, 2018. 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 auditing 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 merit attention by those charged with governance.

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, we did not identify any deficiencies in the University's internal control that we consider to be material weaknesses.

During our audit, we became aware of a deficiency in internal control that is reported as an opportunity for strengthening internal controls and operating efficiencies. This other finding is included with this letter.

The University's written response to and corrective action plan for the finding identified in our audit was 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. Accordingly, this communication is not suitable for any other purpose.

We appreciate the courtesy and assistance extended to us by University 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: John E. Nixon, Chief Business Officer for Administrative Services
Cathy Anderson, Chief Financial Officer
Jeffrey J. West, Associate Vice President for Financial and Business Services
Laura M. Howat, Controller
Todd J. Kapos, Associate Director for Financial Accounting and Reporting
Lisa A. Zaelit, Associate Director for Income Accounting
Kenneth M. Erickson, Director for Research Management and Compliance

FINDING AND RECOMMENDATION

INADEQUATE INTERNAL CONTROLS OVER PREPARATION OF FEDERAL REPORTS

Federal Agency: **U.S. Department of Health and Human Services**

CFDA Numbers and Titles: **1) 93.286 Discovery and Applied Research for Technological Innovations to Improve Human Health**

2) 93.837 Cardiovascular Diseases Research

3) 93.853 Extramural Research Programs in the Neurosciences and Neurological Disorders

Federal Award Numbers: **1) 5UOIEB02348-02, 2) 5RO1HL116579-05, 3) 1UOINS099702-01**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

The University does not have sufficient controls to ensure the accuracy of reports submitted to various divisions in the U.S. Department of Health and Human Services. We tested the four reports from our sampled projects required to be submitted during fiscal year 2018. Three reports were not reviewed for accuracy by a second individual. The University relies solely on the Grants Accounting Officer's training and experience to ensure electronically-submitted reports are correctly prepared.

Federal regulations (2 CFR 200.303) require non-federal entities to "establish and maintain effective internal control...that provides reasonable assurance that the non-federal entity is managing [the program] in compliance with...terms and conditions of the federal award." A lack of controls over the preparation of federal reports increases the risk that reports are not prepared accurately and in accordance with award reporting requirements.

Recommendation:

We recommend the University implement internal controls to ensure that federal reports are prepared in an accurate manner.

University's Response:

The referenced four federal audit reports were each prepared in an accurate manner and in compliance with the terms and conditions of each respective federal award. The risk of error in FFR report preparation is minimal, since such preparation basically consists of transferring data from the project ledger in our ERP system onto the report template. No data manipulation, transformation or derivation is involved. Data in each submitted FFR is later reconciled by the sponsor to the detailed records in the online reporting / reconciling system implemented in 2014 by the Department of Health and Human Services (the HHS system). These reconciliations rarely, if ever, result in a correction to our submittals. None of the four Federal Financial Reports (FFRs) were rejected. The benefit of having a second reviewer is much higher when

reports are prepared manually on paper and submitted outside of the online reporting system. A second reviewer can check the numbers entered in an electronic FFR (and can compare them to our own online accounting system) but cannot identify potential discrepancies versus the HHS system database. Since Uniform Guidance section 2 CFR 200.303 states that “the benefits of controls should outweigh the costs”, we think a low-cost solution in providing the low-level benefit of a second reviewer in these cases would be a prudent course of action.

Corrective Action Plan:

The University will continue providing a second review on all paper FFRs, and prospectively will also provide such a review on 10% of all electronically-filed FFR reports prepared during each fiscal year. Prior to submission, each of the selected FFRs will be reviewed for accuracy and completeness by the Manager, Grants & Contracts Accounting. A log will document each sample selection’s: project number; FFR preparation date; FFR preparer name; FFR reviewer name; and final FFR filing submission date.

*Contact Person: Kenneth M. Erickson, Director, Research Management & Compliance,
801-585-6244*

Anticipated Correction Date: March 31, 2019