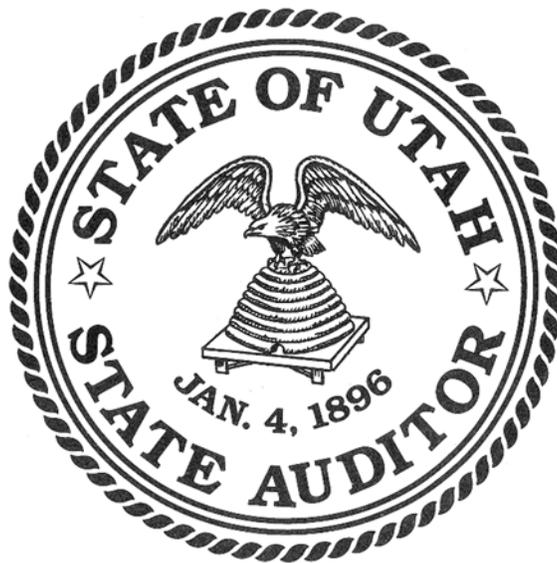


UTAH NATIONAL GUARD

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

Report No. 18-12



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Jon Johnson, CPA, Audit Director
Ryan Roberts, CPA, Audit Supervisor



OFFICE OF THE
STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER NO. 18-12

November 16, 2018

Major General Jefferson Burton, the Adjutant General for Utah
Utah National Guard
12953 South Minuteman Drive
Draper, Utah 84020

Dear General Burton:

This management letter is issued as a result of the Utah National Guard's (the Guard's) portion of the statewide federal compliance 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. We tested the Military Operations and Maintenance Projects (CFDA #12.401) at the Guard.

In planning and performing our compliance audit of the program listed above, we considered the Guard'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 Guard's internal control over compliance with the types of requirements described above that could have a direct and material effect on the program 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 Guard'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 Guard's internal control that we consider to be material weaknesses. However, we consider the deficiency in internal control over compliance presented in the accompanying finding and recommendation to be a significant deficiency.

The Guard'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 them.

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 the personnel of the Guard during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,

A handwritten signature in black ink that reads "Jon T. Johnson". The signature is written in a cursive style with a long horizontal flourish at the end.

Jon Johnson, CPA
Audit Director
jonjohnson@utah.gov
801-538-1359

cc: Michael J. Norton, Finance Director

FINDING AND RECOMMENDATION

INADEQUATE INTERNAL CONTROLS OVER SUSPENSION AND DEBARMENT

(Significant Deficiency to Federal Program)

Federal Agency: **Department of Defense**

CFDA Number and Title: **12.401 National Guard Military Operations and Maintenance (O&M) Projects**

Federal Award Number: **W911YP-16-2-1000**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

We reviewed 11 of the 57 entities with whom the Utah National Guard (Guard) contracted in fiscal year 2018, and noted one entity for which the Guard did not appropriately perform the established internal controls to ensure the entity was not suspended or debarred from receiving federal funds. Per federal regulations (2 CFR 180), the Guard is required to establish internal controls to ensure it either 1) includes an appropriate suspension and debarment clause in the contract with the entity, 2) collects a certification from the entity, or 3) checks for excluded parties on the System for Award Management (SAM) maintained by General Services Administration (SAM.gov website).

In the majority of cases, the Guard ensures compliance by reviewing contracts for the appropriate suspension and debarment clause; however, in certain cases where the clause is not, or is not expected to be, in the contract, the Guard's established procedure is to check the SAM.gov website. This error occurred because the Guard stopped checking the SAM.gov website in the latter part of fiscal year 2018. Inadequate internal controls over the process to verify whether an entity has been suspended or debarred could result in federal funds being paid to ineligible entities.

Recommendation:

We recommend the Guard improve internal controls to ensure it properly verifies whether an entity has been suspended or debarred from receiving federal funds before entering into a contract with the entity.

Guard's Response:

We agree with the finding which accurately describes our deficiency.

Corrective Action Plan:

State Division of Purchasing contracts include a suspension and debarment (S&D) clause in the standard terms and conditions. Division of Facilities and Construction Management (DFCM) contracts do not. S&D information is available at SAM.gov. Our corrective action plan:

- *Before a purchase order is issued for any contract through DFCM, the Construction and Facilities Management Office (CFMO) issues a funding sheet/PO request packet identifying the vendor, quote, amount, and funding.*
- *Before the finance director signs the funding sheet, a state military department (SMD) technician checks the SAM.gov website for any exceptions for the contractor and attaches a download of that result to the packet.*
- *If there are no exceptions, we issue a PO number and approve the funding packet. If there are exceptions, we reject the funding packet.*
- *This control depends on the accuracy of the SAM.gov website, which we believe is reasonable.*

Contact Person: Michael J. Norton, Finance Director, mnorton@utah.gov, 801-432-4445
Anticipated Correction Date: September 25, 2018