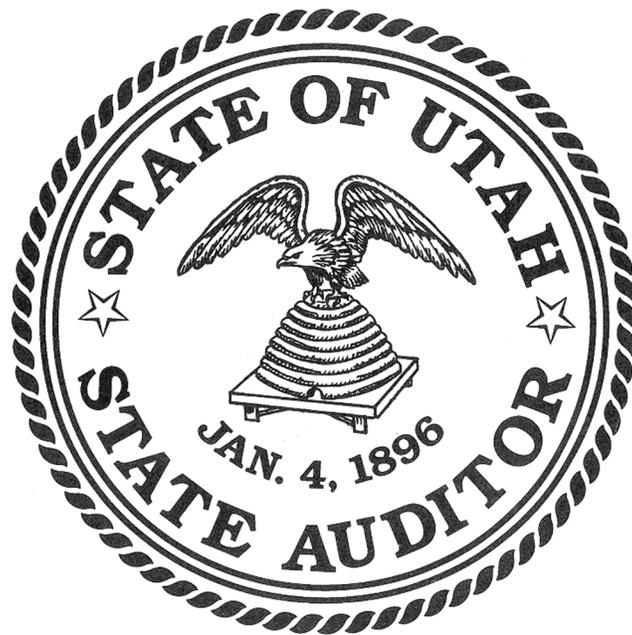


Utah State University

Management Letter
For the Year Ended June 30, 2020

Report No. 20-27



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Bertha Lui, CPA, Senior Audit Manager
Sean Clayton, Senior Auditor

UTAH STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

			<u>Page</u>
MANAGEMENT LETTER			1
FINDINGS AND RECOMMENDATIONS:	<u>Federal Program</u>	<u>Type/ Applicability</u>	
1. Lack of Review on a Student Aid Public Report	Education Stabilization Fund – Higher Education Emergency Relief Fund	Other	4
2. No Verification of Contractor Suspension and Debarment Status	Education Stabilization Fund – Higher Education Emergency Relief Fund	Other	4
ENTITY’S RESPONSE			

<u>Finding Type:</u>	<u>Applicable To:</u>
MW Material Internal Control Weakness	s State Financial Statements
SD Significant Deficiency of Internal Control	f Federal Program
MN Material Noncompliance	e Entity Financial Statements
RN Reportable Noncompliance or Illegal Acts	



OFFICE OF THE
STATE AUDITOR

MANAGEMENT LETTER NO. 20-27

May 26, 2021

Noelle E. Cockett, President
Utah State University
1400 Old Main
Logan, Utah 84322-1400

Dear President Cockett:

This management letter is issued as a result of Utah State University's (the University's) portion of the state wide federal compliance audit (Single Audit) for the year ended June 30, 2020. Our audit was conducted 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.

Our final reports on internal controls and on compliance required under *Government Auditing Standards* and federal *Uniform Guidance* will be issued under separate cover. These reports will also provide further detail as to considerations made during the course of the audit regarding internal controls and compliance, both at the financial statement and at the federal program level, and the limited purposes of those considerations. The purpose of this letter is to communicate with University management concerns identified during the course of our audit.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees to prevent or to detect and correct on a timely basis misstatements, errors, or instances of noncompliance. A *material weakness in internal control* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatements, errors, or noncompliance are not prevented or are not detected and corrected on a timely basis.

During our audit, we became aware of certain deficiencies in internal control (Findings 1 and 2) that are opportunities for strengthening internal controls and operating efficiencies.

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. However, pursuant to *Utah Code* Title 63G Chapter 2, this letter is a matter of public record, and as such, its distribution is not limited.

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,

A handwritten signature in cursive script that reads "Bertha Lui".

Bertha Lui, CPA
Senior Audit Manager
801-808-0481
blui@utah.gov

cc: Dave Cowley, Vice President for Business and Finance
Dan Christensen, Controller
Heather Bryson, Student Financial Aid Director

Findings and Recommendations

1. Lack of Review on a Student Aid Public Report

Utah State University (University) did not perform an independent review of the 45-day Student Aid Public report before it was publicly posted on the University's website. This was a second report that was required to be publicly posted 45 days after the initial report at 30 days following the date of grant award. Because of the similarity between the 30-day report and 45-day report and only few information changes on the 45-day report, the University felt that the review on the initial 30-day report was sufficient and no review was performed on the 45-day report.

However, 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." Since the 45-day report was a new report posting updating certain information, the University should review each report.

A lack of exercising proper controls, such as review, on reports increase risks of inaccuracy and noncompliance.

Recommendation:

We recommend the University perform proper review on each required report to ensure accurate information and compliance with requirements.

University's Response:

We concur.

Corrective Action Plan:

USU will ensure reports are reviewed for accuracy prior to posting publicly to be in compliance with reporting requirements. Reports will be sent to the financial aid leadership team via email for review prior to posting.

Contact Person: Heather Bryson, Financial Aid Director, (435) 797-145

Anticipated completion date: Completed

2. No Verification of Contractor Suspension and Debarment Status

The University did not have a control procedure to ensure inclusion of a suspension and debarment clause in contracts that involves federal funds. One of two contracts selected for review did not include the described clause. 2 CFR section 180.300 states that "when...enter[ing] into a covered transaction" an entity "must verify that the person [or entity] with whom [it] intend[s] to do business is not excluded or disqualified." The University's

procedure was to include a clause in all applicable contracts asserting that the entity was not suspended or debarred. Even though the clause is standard for University-issued contracts, the contract was a vendor-issued contract and did not contain the clause. The University did not have a procedure to detect the missing clause. Lack of a control procedure to verify contractor suspension and debarment status could result in noncompliance with Federal requirements and possible improper payment to suspended and debarred contractors.

Recommendation:

We recommend the University implement a control procedure to ensure the inclusion of a suspension and debarment clause in all vendor created contracts in the federal program.

University's Response:

We concur.

Corrective Action Plan:

We will implement a control to include a procedure to ensure the inclusion of a suspension and debarment clause in all applicable contracts in the federal program or we will verify that the vendor/supplier is not suspended and debarred by utilizing our PaymentWorks platform or checking on Sam.gov.

*Contact Person: Jeff Crosby, Purchasing Director, (435) 797-1039
Anticipated Completion Date: Completed*