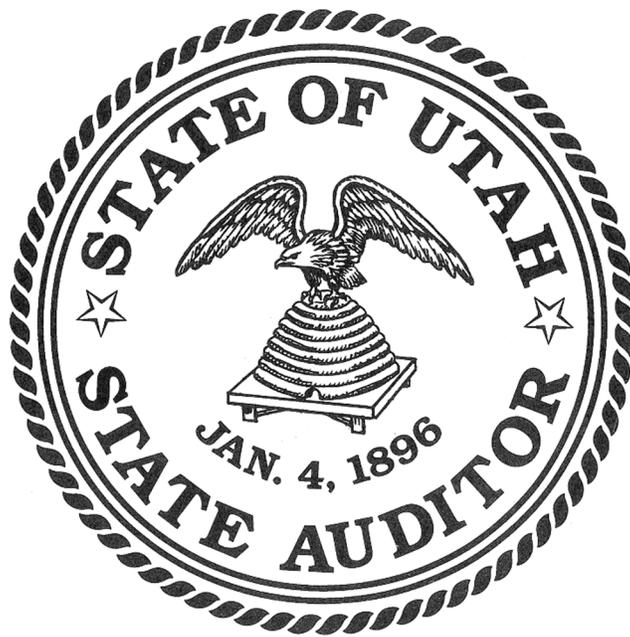


UTAH STATE BOARD OF EDUCATION

Management Letter
For the Year Ended June 30, 2020

Report No. 20-39



OFFICE OF THE
STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor

Hollie Andrus, CPA, Deputy State Auditor

Ryan Roberts, CPA, Audit Supervisor

UTAH STATE BOARD OF EDUCATION
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. Reported Expenditures Not Supported by Underlying Reimbursement Requests	Education Stabilization Fund	MW-f; RN-f 3
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 or Possible Material Noncompliance	e Entity Financial Statements
RN Reportable Noncompliance or Illegal Acts	



OFFICE OF THE
STATE AUDITOR

MANAGEMENT LETTER NO. 20-39

May 27, 2021

Sydnee Dickson, Superintendent of Public Instruction
Utah State Board of Education
250 East 500 South
P.O. Box 144200
Salt Lake City, UT 84114-4200

Dear Ms. Dickson:

This management letter is issued as a result of our audit of the Utah State Board of Education's (USBE's) portion of the statewide 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 USBE 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.

Based on the audit procedures performed, we identified a deficiency in internal control which we consider to be a material weakness (Finding 1). We also identified Finding 1 as an instance of possible noncompliance which we are required to report under *Uniform Guidance*.

USBE's written response to and Corrective Action Plan for this finding will be included in the final reports identified in the second paragraph above.

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 USBE'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 report is a matter of public record, and as such, its distribution is not limited.

We appreciate the courtesy and assistance USBE personnel extended to us 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 "Hollie Andrus".

Hollie Andrus, CPA
Deputy State Auditor
801-808-0461
handrus@utah.gov

cc: Laura Belnap, Audit Committee Chair, Utah State Board of Education
Scott Jones, Deputy Superintendent of Operations, Utah State Board of Education
Sarah Young, Director of Strategic Initiatives, Utah State Board of Education
Deborah Jacobson, Finance Director, Utah State Board of Education
Debbie Davis, Chief Audit Executive, Utah State Board of Education

Corrective Action Plan:*Timely Reimbursements*

The USBE is the constitutional body tasked with general control and supervision of public education. As part of this responsibility the USBE strongly encourages local education agencies (LEAs) to submit reimbursement requests for federal funds in a timely manner. LEAs are school districts or charter schools that are separate legal entities (Utah Code, Annotated 53G-4-401) tasked to operate and manage schools, which includes expending federal funds for allowable purposes. Generally, federal funds awarded to LEAs have a period of performance of 27 months and the funds may be expended at any time during that period with reimbursement requests submitted after an expenditure is made.

The USBE uses the Grants Management System (System) to facilitate the grants process with LEAs. The System is inclusive of all grants, including the applicable period of performance for each grant. This helps ensure LEAs are aware of all grant funding sources, with related grant requirements, and facilitates a more efficient reimbursement request process. The USBE will continue to strongly encourage LEAs to submit reimbursement requests in a timely manner once an allowable expenditure has been made.

Estimating and Reporting Expenditures

For reporting purposes of the Annual Comprehensive Financial Report (ACFR), during yearend closeout in early August, the USBE estimates the expenditures incurred by LEAs as of 6/30 that have not yet been reported to USBE by the LEAs. In accordance with GAAP, the USBE must estimate those costs since the actual amounts are not available in time for ACFR reporting. This incurred but not yet reported (IBNR) accrual is recorded in State Finance's non-budgetary funds in the state's general ledger so it does not affect any of USBE's grant accounting or reporting. The expenditures associated with the IBNR are supported by the USBE IBNR calculation. Therefore, we concur that the calculation methodology of the IBNR did not result in questioned costs.

In previous years, the expenditures estimated in the IBNR calculation were not reported in the USBE's portion of the Schedule of Expenditures of Federal Awards (SEFA), but instead were included in a lump sum cash (SEFA) to accrual basis (ACFR) reconciling item in the notes to the SEFA. In an effort to report SEFA expenditures more closely to the ACFR's accrual basis of accounting for fiscal year 2021, State Finance included the IBNR in the USBE's individual applicable grant expenditures in the SEFA. In future years, State Finance will return to excluding the IBNR amount from USBE's presentation of grant expenditures.

Contact Person: Deborah Jacobson, USBE Finance Director, 801-538-7627

Patricia Nelson, Assistant State Comptroller, 801-808-0684

Anticipated Correction Date: November 30, 2021