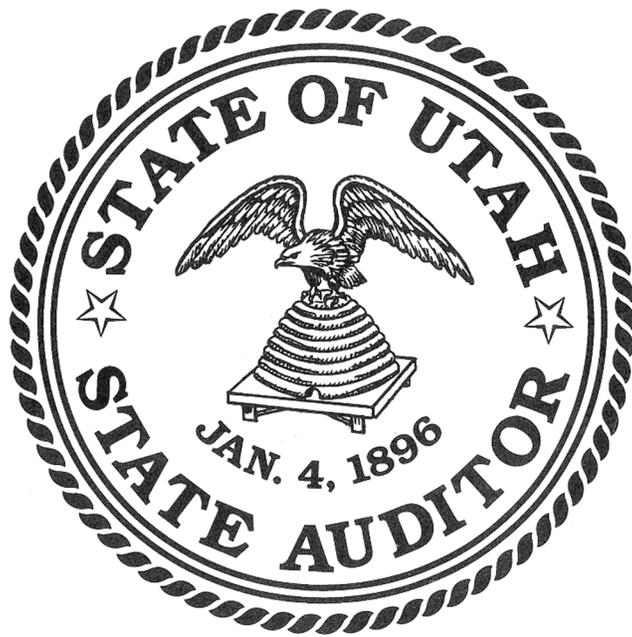


Southern Utah University

Management Letter
For the Year Ended June 30, 2020

Report No. 20-40



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Bertha Lui, CPA, Senior Audit Manager
Jordan Kattelman, CPA, Audit Senior

SOUTHERN UTAH UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2020

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<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. 20-40

May 26, 2021

Scott L. Wyatt, President
Southern Utah University
351 W. Center Street
Cedar City, Utah 84720

Dear President Wyatt:

This management letter is issued as a result of our audit of Southern Utah University's (the University'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 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: Marvin Dodge, Vice President for Finance & Administration
Mitch Bealer, Assistant Vice President for Finance & Administration

Findings and Recommendations

1. Unallowable Activities and Costs Charged to the Federal Program

Of 40 institution portion disbursements reviewed, Southern Utah University (the University) did not identify one unallowable charge in its review. The University's Nursing Program rents an apartment for its nursing students to use during their clinical rotations. Due to the COVID-19 pandemic the nursing program moved to online instruction only and all clinical rotations were cancelled. The University's review of an invoice for rental expense failed to note a charge for property damages of \$145. This charge was not allowable because this cost did not "...have a clear nexus to significant changes to the delivery of instruction due to the coronavirus" as stated in paragraph 4(b) of the University's Funding Certification and Agreement for the Institutional Portion of the Higher Education Emergency Relief Fund Formula Grants Authorized by Section 18004(a)(1) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This error occurred because the University's review was not detailed enough resulting in missing the charge for damages. Unallowable cost may be charged to the program if reviews are not performed in sufficient detail. The cost of \$145 was questioned.

Recommendation:

We recommended the University performed its internal control review on a detailed level to ensure grant program expenditures comply with program requirements.

University's Response:

HEERF I (CARES) funding allowed for expenses already incurred to be charged to the grant, thus, the process for expenditure review emulated the SUU process for expenditure transfer requests. The unique requirements and timing of the HEERF grant precipitated the need for additional review by the SUU HEERF Committee, who then gave recommendations to the Cabinet for final approval of expenditures. The University acknowledges that, with more detailed review of documentation, the \$145 charge for damages should not have been included.

Corrective Action Plan:

SUU will strengthen its review of the source documentation of individual transactions as part of the expenditure transfer process in moving allowable expenditures to grant accounts.

Person Responsible for Corrective Action:

Trisha Robertson
Assistant to the Vice President for Business Strategy
trisharobertson@suu.edu
(435) 586-7721

Anticipated Action Plan Completion Date:

June 30, 2021

2. Cost or Price Analysis Not Performed for Procurement in Excess of the Simplified Acquisition Threshold

The University did not perform a cost or price analysis for its one procurement in excess of the Simplified Acquisition Threshold. Federal regulation (2 CFR 200.323 [a]) states that “The non-federal entity must perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold including contract modifications.”

University personnel were unaware of this requirement and therefore did not perform the necessary analysis, which could cause the University to incur unnecessary costs.

Recommendation:

We recommend the University perform a cost or price analysis for all procurement actions in excess of the Simplified Acquisition Threshold.

University’s Response:

The procurement in question was related to network equipment to facilitate the mediation of all campus classrooms in preparation for the upcoming Fall semester. The Purchase Order was processed through a vendor listed as holding a State of Utah Cooperative Contract. The University acknowledges that department personnel were not aware that the procurement was subject to the Federal Simplified Acquisition Threshold.

Corrective Action Plan:

Additional training regarding Federal Grants regulations will take place at the departmental level. As an additional control, the department will investigate an internal process that will allow for a more thorough review of procurements exceeding the Federal Simplified Acquisition Threshold to include both Procurement and Grants Office personnel.

Person Responsible for Corrective Action Plan:

*Brad Brown
Director of Purchasing
brown@suu.edu
(435) 586-7871*

Anticipated Action Plan Completion Date:

June 30, 2021