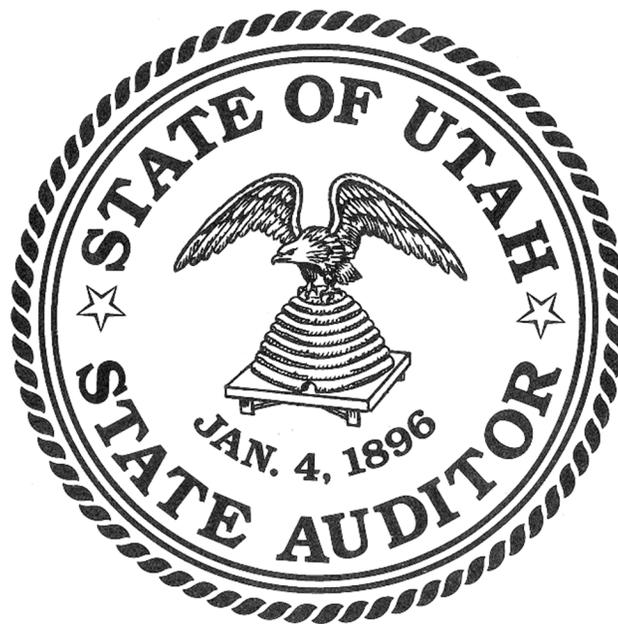


DEPARTMENT OF PUBLIC SAFETY

Single Audit Management Letter
For the Year Ended June 30, 2017

Report No. 17-07



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Hollie Andrus, CPA, Audit Director
Nate Grondel, Audit Senior

DEPARTMENT OF PUBLIC SAFETY

**Single Audit Management Letter
FOR THE YEAR ENDED JUNE 30, 2017**

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<u>Finding Type:</u>	<u>Applicable To:</u>
SD Significant Deficiency of Internal Control	f Federal Program
RN Reportable Noncompliance or Illegal Acts	



OFFICE OF THE
STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER NO. 17-07

November 16, 2017

Col. Keith D. Squires, Commissioner
Department of Public Safety
4501 South 2700 West
P.O. Box 141775
SLC, Utah 84114-1775

Dear Col. Squires:

This management letter is issued as a result of the Department of Public Safety's (Public Safety's) portion of the statewide federal compliance audit for the year ended June 30, 2017. 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 Emergency Management Performance Grants (CFDA #97.042) as a major program at Public Safety.

In planning and performing our statewide compliance audit of the program listed above, we considered Public Safety's compliance with the applicable types of compliance requirements as described in the *OMB Compliance Supplement* for the year ended June 30, 2017. We also considered Public Safety's internal control over compliance with the types of requirements described above that could have a direct and material effect on the major 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 Public Safety'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 Public Safety's internal control that we consider to be material weaknesses. However, we consider the deficiencies in internal control over compliance presented in the accompanying schedule of findings and recommendations as Findings 1 and 2 to be significant deficiencies.

Public Safety's written responses to and Corrective Action Plans for the findings 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 Public Safety 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: Joseph Brown, Administrative Services Director, Department of Public Safety
Kris Hamlet, Division Director, Division of Emergency Management
Jona Whitesides, Bureau Chief, Preparedness Bureau, Division of Emergency Management

FINDINGS AND RECOMMENDATIONS

1. INADEQUATE MONITORING OF SUBRECIPIENT SINGLE AUDITS

Federal Agency: **Department of Homeland Security**

CFDA Number and Title: **97.042 Emergency Management Performance Grants (EMPG)**

Federal Award Numbers: **EMW-2015-EP-00006, EMD-2016-EP-00006, EMD-2017-EP-00007**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Finding Number: **2016-027**

The Department of Public Safety's Division of Emergency Management (Emergency Management) does not have adequate internal controls to ensure that subrecipients of the Emergency Management Performance Grants (EMPG) program are complying with 2 CFR 200, subpart F – Audit Requirements.

We reviewed Emergency Management's fiscal year 2017 tracking spreadsheets used to monitor the subrecipient single audits and initially selected 5 of 49 subrecipients to verify Emergency Management properly monitored their single audit reports. We noted the following:

- The employee assigned to review the single audit reports reviewed the financial audit reports instead of the single audit reports for all EMPG subrecipients; and,
- One EMPG subrecipient that required a single audit was not listed on the tracking spreadsheets.

According to 2 CFR 200 §200.331 (d)-(h), Emergency Management must “verify that every subrecipient is audited as required. . . .”, “follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies. . . detected through audits, [etc.]”, and “consider whether the results of [a] subrecipient's audits, [etc.] indicate conditions that necessitate adjustments to [its] own records.” The employee performing the reviews was inexperienced and no oversight was provided to ensure the monitoring was performed correctly. Also, Emergency Management does not adequately review the tracking spreadsheets to verify all subrecipients are included. Inadequate subrecipient monitoring can result in inappropriate use of federal funds without detection and possible failure to collect questioned costs identified in audit reports.

Recommendation:

We recommend Emergency Management:

- **Train and supervise those employees assigned to review single audit reports; and,**
- **Establish internal controls to verify the tracking spreadsheets include all subrecipients.**

Public Safety's Response:

We agree with this finding and will continue to improve the progress made as we implement the necessary controls to meet the single audit monitoring requirements as outlined in 2 CFR 200, Subpart F.

Corrective Action Plan:

Effective 9/27/2017, we have developed a new schedule and process for monitoring all subrecipients for single audits. The process involves checking all single audit reports of FY 2017 grant subrecipients and ensuring that all relevant jurisdictions are included on the list. This solution has already been implemented and the monitoring will be complete after all entities publish their respective single audit reports (if applicable).

Contact Person: Matt Ferguson, Financial Manager, 801-538-3435

Anticipated Correction Date: March 30, 2018

2. ERRORS IN SF-425 REPORTS

Federal Agency: **Department of Homeland Security**

CFDA Number and Title: **97.042 Emergency Management Performance Grants (EMPG)**

Federal Award Numbers: **EMW-2015-EP-00006 and EMD-2016-EP-00006**

Questioned Costs: \$0

Pass-through Entity: N/A

Prior Year Single Audit Finding Number: N/A

We sampled three of the nine EMPG SF-425 financial reports prepared and submitted by Emergency Management during state fiscal year 2017. Two of the three reports sampled had line items that did not include all of the transactions from the accounting records as follows:

Award # EMW-2015-EP-00006

- a. Line 10.a was reported as \$4,528,408.20, but the accounting records showed \$4,629,716.98.
- b. Line 10.b was reported as \$4,528,408.20, but the accounting records showed \$4,591,248.70.
- c. Line 10.e was reported as \$4,528,408.20, but the accounting records showed \$4,591,248.70.
- d. Line 10.j was reported as \$4,528,408.20, but the accounting records showed \$5,058,116.71.

Award # EMD-2016-EP-00006

- a. Line 10.b was reported as \$4,432,201.86, but the accounting records showed \$5,206,413.90.

- b. Line 10.e was reported as \$4,432,201.86 but the accounting records showed \$5,206,413.90.
- c. Line 10.j was reported as \$4,432,201.86 but the accounting records showed \$4,863,817.14.

Differences between the accounting records and the amounts reported on these lines ranged from \$62,480.50 to \$774,212.04. Emergency Management did not include in the reports all of the transactions from the accounting records because it did not examine all of the transactions and make the necessary adjustments to the accounting records in a timely manner. Reports should be accurate and agree with accounting records. Not accurately reporting all required information results in inaccurate and/or incomplete program information being provided to users of the reports.

Recommendation:

We recommend Emergency Management take greater care to ensure that the reports are accurate and complete.

Public Safety's Response:

We agree with this finding and will continue to improve our processes and controls. This occurrence resulted from redirecting and prioritizing employee efforts away from regular financial reporting to flooding response and recovery from a natural disaster.

Corrective Action Plan:

Effective immediately for all SF-425 reports going forward, extra care will be taken to minimize discrepancies between amounts reported and posted to the general ledger. We intend to further improve our processes to identify strategies to mitigate extenuating circumstances and overcome other obstacles impeding the timely and accurate completion of the reports. The anticipated completion date is June 30, 2018.

Contact Person: Matt Ferguson, Financial Manager, 801-538-3435

Anticipated Correction Date: June 30, 2018