

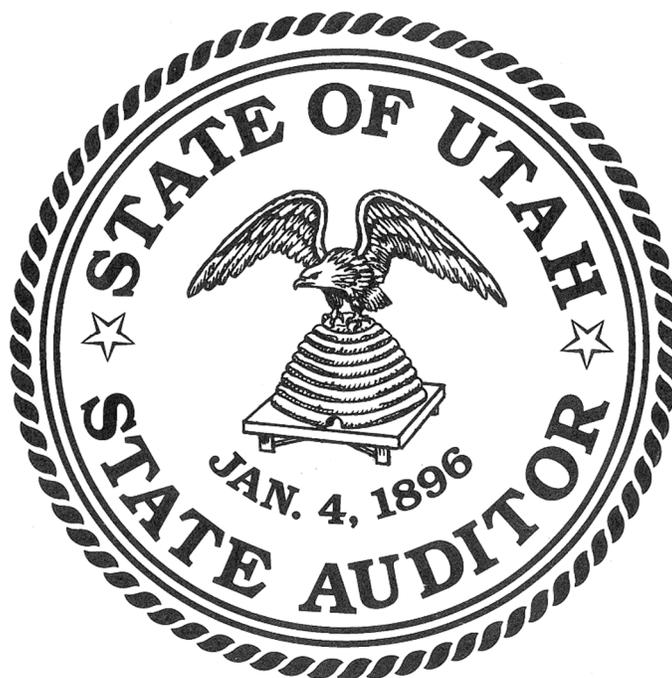
# DEPARTMENT OF WORKFORCE SERVICES

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

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Report No. 17-06



## OFFICE OF THE STATE AUDITOR

### AUDIT LEADERSHIP:

John Dougall, State Auditor  
Hollie Andrus, CPA, Audit Director  
Gregg Hastings, CPA, Audit Supervisor

# **DEPARTMENT OF WORKFORCE SERVICES**

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

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Finding Type:

SD Significant Deficiency of Internal Control  
RN Reportable Noncompliance or Illegal Acts

Applicable To:

f Federal Program



OFFICE OF THE  
STATE AUDITOR

**SINGLE AUDIT MANAGEMENT LETTER NO. 17-06**

November 27, 2017

Mr. Jon Pierpont, Executive Director  
Department of Workforce Services  
140 East 300 South  
SLC, Utah 84111-0000

Dear Mr. Pierpont:

This management letter is issued as a result of the Department of Workforce Services' (DWS) 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 following federal programs as major programs at DWS:

- Low-Income Home Energy Assistance Program (LIHEAP)
- Supplemental Nutrition Assistance Program (SNAP)
- Home Investment Partnership Loans
- Promoting Readiness of Minors in Supplemental Security Income (ASPIRE)

In planning and performing our audit of compliance of the programs listed above, we considered DWS'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 DWS's internal control over compliance with the types of requirements described above that could have a direct and material effect on the major programs 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 DWS'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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

We did not identify any deficiencies in DWS'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 through 5 to be significant deficiencies.

DWS'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 DWS 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

COPIES SENT TO:

Casey Cameron, Deputy Director, Department of Workforce Services  
Greg Paras, Deputy Director, Department of Workforce Services  
Nate McDonald, Assistant Deputy Director, Department of Workforce Services  
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Rebecca Anderson, Director, Administrative Support Division  
Jonathan Hardy, Director, Housing and Community Development Division  
Sarah Brenna, Director, Utah State Office of Rehabilitation  
Stephen Lisonbee, Director, Workforce Development Division  
Karla Aguirre, Director, Workforce Development Division  
Dale Ownby, Director, Eligibility Services Division  
Van Christensen, Director, Internal Audit  
Muris Prses, Assistant Director, Eligibility Services Division  
Katherine Smith, Assistant Director, Housing and Community Development Division  
Jennifer Roth, Financial Manager, Administrative Support Division  
Debi Carty, Financial Manager, Administrative Support Division  
Steven Nelson, Accounting Manager, Administrative Support Division

## FINDINGS AND RECOMMENDATIONS

### 1. LIHEAP ELIGIBILITY DETERMINATION ERRORS AND INVALID DOCUMENTATION

Federal Agency: **Department of Health and Human Services**

CFDA Number and Title: **93.568 Low-Income Home Energy Assistance Program**

Federal Award Numbers: **G-15B1UTLIEA, G-16B1UTLIEA, G-17B1UTLIEA**

Questioned Costs: \$460

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

We reviewed Department of Workforce Services (DWS) case files for 71 LIHEAP households. The expenditures for those cases totaled \$26,823.28 and were taken from a total population of \$11,846,437.41. Of the 71 cases reviewed, 3 had some form of error, as described below. We have questioned overpayment of LIHEAP benefits for these cases totaling \$460 (1.71%). Errors appear to result from inattention to the program policy.

- a. For one case, the intake worker did not verify the current household income prior to calculating and issuing the benefit. Per part A (Heat Income Eligibility) of the Income Eligibility section of the H.E.A.T. policy manual, intake workers are required to “verify countable income in the previous calendar month” by reviewing “documentation that represents the actual income received.” Instead, the intake worker used income verification from the previous year. Because the current income was not verified, the HEAT benefit may have been overpaid. Therefore, we have questioned the benefits paid on behalf of this client, totaling \$309.
- b. For one case, the caseworker used invalid documentation from the prior year to verify the SSN of the applicant’s son. The caseworkers (intake worker and editor) should verify that all documents for all household members are current before approving applications. The SSN for the applicant’s child was verified in the prior year using Erep. The Erep document was signed by the caseworker on April 5, 2016 with a note stating “One time use only.” Both the intake worker and the editor approved the 2017 application for payment without acknowledging that the document was outdated. This type of error could result in applicants receiving funds for which they are not eligible. If the applicant’s son did not qualify for the benefit, the applicant would have received \$352 instead of \$360. We have questioned the possible \$8 overpayment.
- c. For one case, the intake worker failed to include the unearned income received from the applicant’s disability benefit when calculating the LIHEAP benefit. The application went to the editor for further review, but the omission was overlooked and the application was approved. Intake workers should input all earned income, unearned income, medical deductions, alimony, and child support into the system and verify the calculation to ensure proper payment. The editor should then verify and approve the payment. Inadequate verification of applicant income could result in overpayment of benefits. In

this case, the exclusion of the unearned income resulted in the client receiving an overpayment of \$143.

**Recommendation:**

**We recommend that DWS strengthen existing internal controls to ensure that LIHEAP eligibility determinations and benefit calculations are correct and comply with the policy.**

*DWS's Response:*

*The Department of Workforce Services agrees with the finding and recommendation.*

*Corrective Action Plan:*

*The cases involved have been discussed with the HEAT supervisor with oversight of the offices where the errors occurred. The errors will be addressed during the Fall HEAT training held on September 28, 2017, that all HEAT workers are required to attend. Additional training will be done with the editors to ensure they know the importance of accurately reviewing and processing case files. The Supervisors will be doing additional auditing of their case files to identify training issues. State HEAT staff and Supervisors will conduct monitoring throughout the year in local offices to review case eligibility and address any issue as they are discovered.*

*Contact Person: Sue Kolthoff, HEAT Program Manager, 801-468-0069*

*Anticipated Correction Date: September 28, 2017*

**2. LIHEAP REPORTING ERRORS**

Federal Agency: **Department of Health and Human Services**

CFDA Number and Title: **93.568 Low-Income Home Energy Assistance Program**

Federal Award Numbers: **G-15B1UTLIEA, G-16B1UTLIEA, G-17B1UTLIEA**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: 2014-026

We reviewed the LIHEAP household report prepared and submitted for the federal fiscal year ended September 30, 2016, and noted the following areas of the report where the number of households was incorrectly reported:

- a. Section 1, Line 5 – an error totaling 3 households.
- b. Section 1, Line 6 – an error totaling 3 households.
- c. Section III, Line 4 – an error totaling 222 households.
- d. Section III, Line 5 – an error totaling 60 households.
- e. Section V, Line 3d – all columns contained errors, ranging from 6 to 97 households.
- f. Section V, Line 4 – all columns contained errors, ranging from 45 to 170 households.

- g. Section VI, Line 3a, Line 3d, and Line 4 – errors ranging from 2 to 42 households

The errors noted above were the result of an oversight when entering and reviewing the amounts on the report. All reports should be accurate and prepared in conformance with the report instructions. Not accurately reporting all required information results in inaccurate and/or incomplete program information being provided to the Federal Government and could affect amounts awarded to the state.

**Recommendation:**

**We recommend that DWS take greater care in preparing the reports to ensure the proper amounts are reported. We also recommend that DWS develop a more reliable review process to detect any errors.**

DWS's Response:

*The Department of Workforce Services agrees with the finding and recommendation.*

Corrective Action Plan:

*The spreadsheet used to calculate the number to populate the Household Report in the Online Data Collection System (OLDC) has been updated and verified. The information required from Weatherization staff has been clarified so that a more accurate reporting of numbers, regardless of when they are requested, will be provided. A person with a job level above the person preparing the report will review and sign off on the report before it is submitted in OLDC. Copies of all iterations of the reports with back up data will be printed and saved for monitoring purposes. These actions have already been taken so that reporting of the fiscal year 2017 Estimated Household Report, due September 1, 2017, reflects the changes.*

*Contact Person: Sue Kolthoff, HEAT Program Manager, 801-468-0069*

*Anticipated Correction Date: September 1, 2017*

**3. INADEQUATE CONTROL OVER LIHEAP CASH DRAWS**

Federal Agency: **Department of Health and Human Services**

CFDA Number and Title: **93.568 Low-Income Home Energy Assistance Program**

Federal Award Numbers: **G-16B1UTLIEA, G-17B1UTLIEA**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

For 6 of the 8 fiscal year 2017 LIHEAP cash draws tested, there was no pre-draw review completed by the manager. Federal regulations (200 CFR 200.303(a)) state, "The non-Federal entity must establish and maintain effective internal control over the Federal award that provides

reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

The nonperformance of the pre-draw reviews was the result of employee turnover and the failure to ensure that employees understood their responsibilities and the importance of this control. Failure to maintain adequate controls over federal cash draws could cause federal funds to be over or under drawn, which could result in the State losing interest or incurring interest penalties. We noted no errors related to the actual cash draws; therefore, we have not questioned any costs.

**Recommendation:**

**We recommend that DWS ensure controls are adequately implemented and maintained over LIHEAP cash draws and ensure that new and existing employees understand their responsibilities and the importance of maintaining internal controls over LIHEAP cash draws.**

**DWS's Response:**

*We agree with the finding. The Department of Workforce Services experienced turnover in a financial manager position during state fiscal year 2017. During the transition period, the fiscal grant manager responsible for the LIHEAP cash draws chose not to obtain a pre-draw review by the financial manager prior to performing certain draws even though this internal control was emphasized by the new financial manager. The fiscal grant manager has subsequently moved to another position which does not perform fiscal grant manager duties.*

**Corrective Action Plan:**

*DWS management has taken the following actions to ensure that controls are adequately maintained over LIHEAP cash draws. First, responsibility for fiscal management of LIHEAP, including cash draws, has been shifted to a new fiscal grant manager. Second, the cash draw process and the form used by fiscal grant managers to document the financial manager's pre-draw review have been standardized. Finally, management has re-emphasized the internal control that all proposed draws must be reviewed and approved prior to completing the draw. DWS considers corrective action to have been implemented as of October 1, 2017.*

*Contact Person: Nathan Harrison, Finance Director, 801-526-9402*

*Anticipated Correction Date: October 1, 2017*

#### **4. INADEQUATE INTERNAL CONTROLS OVER RISK EVALUATIONS OF SUBRECIPIENTS**

Federal Agency: **Department of Health and Human Services**

CFDA Number and Title: **93.568 Low-Income Home Energy Assistance Program**

Federal Award Numbers: **G-16B1UTLIEA, G-17B1UTLIEA**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

DWS's Housing and Community Development (HCD) division performed a pre-award risk evaluation for Low-Income Home Energy Assistance Program (LIHEAP) grant subrecipients; however, it did not document how or if the risk evaluation was used to determine the necessary monitoring procedures. According to federal regulations (2 CFR section 200.331(b)), "a pass-through entity must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring." Although HCD's written policy requires the pre-award risk evaluation to be performed and forwarded to the program managers in order to determine monitoring procedures, there are no written policies and procedures describing subrecipient monitoring actions to be taken based on the different levels of risk found in the assessment. Currently, DWS monitors all LIHEAP subrecipients; however, DWS should develop written policies and procedures specifying the actions required for certain risk conditions.

#### **Recommendation:**

**We recommend that DWS evaluate and document each LIHEAP program subrecipient's risk for purposes of determining the appropriate subrecipient monitoring and that it develop written policies and procedures specifying the actions required for certain risk conditions.**

#### **DWS's Response:**

*As noted in the finding, a risk evaluation was completed for each subrecipient and monitoring procedures were performed; however, we agree that documentation does not show how the risk evaluation was used to determine monitoring procedures.*

#### **Corrective Action Plan:**

*Subsequent to the auditors bringing this matter to our attention, we reviewed risk evaluations and actual monitoring procedures and found that monitoring procedures adequately addressed risks. Program managers have been instructed to immediately begin documenting how risk evaluations are used to determine monitoring procedures. Formal written procedures will be drafted and added to the HEAT Policy Manual during the next annual update which will be effective for the 2019 program year. Even though formal policies will not be effective until program year 2019, we will require program managers to immediately begin documenting how*

*risk evaluations are used to determine monitoring procedures to immediately correct the matter noted in this finding.*

*Contact Person: Sue Kolthoff, HEAT Program Manager, 801-468-0069*

*Anticipated Correction Date: November 1, 2017*

## **5. INADEQUATE INTERNAL CONTROLS OVER SUBRECIPIENT SINGLE AUDIT REVIEWS**

Federal Agency: **Department of Education**

CFDA Number and Title: **84.418P Promoting Readiness of Minors in Supplemental Security Income (ASPIRE)**

Federal Award Numbers: **H418P130009, H418P140002**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

The Utah State Office of Rehabilitation (USOR), a division within DWS, has not performed the required monitoring of ASPIRE subrecipient Single Audit reports. According to 2 CFR 200 §200.331 (d)-(h), USOR must 1) verify that every subrecipient is audited as required, 2) follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, etc., and 3) consider whether the results of a subrecipient's audit, etc., indicate conditions that necessitate adjustments to its records. These procedures should be carried out in a timely manner.

Because there is a time lag in subrecipients issuing their Single Audit reports, we examined the last completed year of monitoring work—in this case the monitoring for fiscal year 2016 (which covers subrecipient 2015 audits). This monitoring had not been performed while USOR was under the guidance of the Utah State Board of Education (USBE) because grant management was not aware of the federal requirement to review subrecipient Single Audit reports. Inadequate reviews of Single Audit reports can result in noncompliance with federal subrecipient monitoring requirements, inappropriate use of federal funds without detection, and possible failure to collect questioned costs identified in audit reports.

### **Recommendation:**

**We recommend that USOR ensure that DWS perform the required monitoring of ASPIRE subrecipient Single Audit reports, including follow up on all audit findings in a timely manner.**

### **DWS's Response:**

*In September 2013, the U.S. Department of Education awarded the Promoting Readiness of Minors in Supplemental Security Income (PROMISE) Initiative to a six state consortium called ASPIRE (Achieving Success by Promoting Readiness for Education and Employment). The six*

*states of the ASPIRE consortium are Arizona, Colorado, Montana, North Dakota, South Dakota, and Utah. The Utah State Office of Rehabilitation (USOR) serves as the fiscal agent for the ASPIRE consortium. USOR moved from the Utah State Board of Education (USBE) to the Utah Department of Workforce Services (DWS) effective October 1, 2016, pursuant to House Bill 325 passed by the Utah State Legislature on March 9, 2016, and signed into law by the Governor of Utah on March 25, 2016. At the time USOR transitioned to DWS, the six month time requirement for USBE to issue a management decision for 2015 audit findings related to federal awards made to subrecipients (2 CFR §200.521(c)-(d)) had elapsed for three of the states in the ASPIRE consortium. DWS assumed responsibility on October 1, 2016, for reviewing the results of the 2015 single audit and issuing a management decision for applicable findings for the two remaining states in the ASPIRE consortium (excluding Utah) as required by 2 CFR §200.331(d). This responsibility was not included as part of the transition planning. As a result, DWS did not review the results of the 2015 single audit for the two remaining states or issue a management decision where applicable.*

*Corrective Action Plan:*

*Prior to the audit, ASPIRE-funded contracts with the states of Arizona, Colorado, Montana, North Dakota, and South Dakota were included in the fiscal year 2016 single audit review process conducted during state fiscal year 2017 by DWS. Reviews of the fiscal year 2016 single audit reports for Arizona, Colorado, North Dakota, and South Dakota were completed on a timely basis. Montana submits a biannual Single Audit report and the most recently submitted Single Audit report covers fiscal years 2014 and 2015. Montana's Single Audit report covering fiscal year 2016 and 2017 will be reviewed when submitted (approximately March 31, 2018). DWS considers corrective action to have been implemented as of July 13, 2017, the date the 2016 single audit reviews were complete for the ASPIRE consortium states.*

*Contact Person: Nathan Harrison, Finance Director, (801) 526-9402  
Anticipated Correction Date: July 13, 2017*