

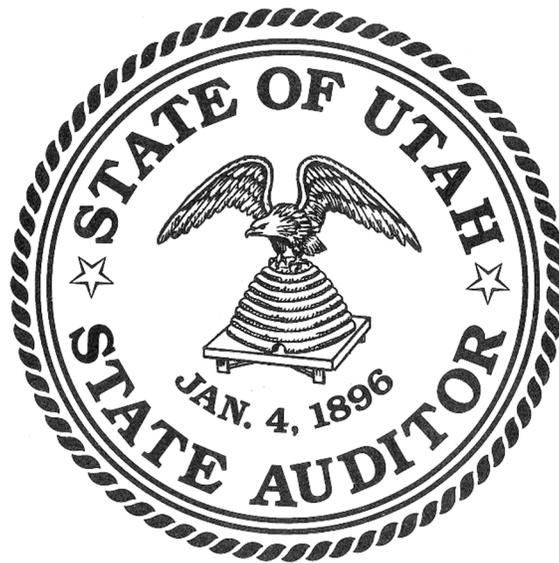
# SALT LAKE COMMUNITY COLLEGE

---

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

---

Report No. 17-09



## OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor  
Hollie Andrus, CPA, Audit Director  
Ariane Gibson, CPA, Audit Manager

# **SALT LAKE COMMUNITY COLLEGE**

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

### **TABLE OF CONTENTS**

			<u>Page</u>
<b>SINGLE AUDIT MANAGEMENT LETTER</b>			1
<b>FINDINGS AND RECOMMENDATIONS:</b>	<u>Federal Program</u>	<u>Type/ Applicability</u>	
1. Inadequate Internal Control over Suspension and Debarment	Career & Tech Education	SD-f; RN-f	3
2. Inadequate Internal Control Over the Inclusion of Federal Program Time Allocations on the Personnel Action Forms	Career & Tech Education	SD-f	4
3. Inadequate Control over Reimbursement Requests for CTE Expenditures	Career & Tech Education	SD-f	5

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. 17-09**

December 8, 2017

To the Board of Trustees, Audit Committee,  
and  
Denece Huftalin, President  
Salt Lake Community College

This management letter is issued as a result of the Salt Lake Community College's (College'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 Career and Technical Education Program as a major program at the College.

In planning and performing our statewide compliance audit of the program listed above, we considered the College'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 the College'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 the College'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 the College'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 to be significant deficiencies.

The College'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 the College 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: Dennis Klaus, Vice President of Business Services  
Dr. Charles Lepper, Vice President of Student Services  
Eric Weber, Assistant Vice President of Student Enrollment Services  
Debra Glenn, Controller/Business Manager  
Cristi Millard, Financial Aid Director  
Eric Heiser, CTE Director

## FINDINGS AND RECOMMENDATIONS

### 1. INADEQUATE INTERNAL CONTROL OVER SUSPENSION AND DEBARMENT

Federal Agency: **Department of Education**  
CFDA Number and Title: **84.048 Career and Technical Education**  
Federal Award Number: **V048A160044-16A**  
Questioned Costs: N/A  
Pass-through Entity: N/A  
Prior Year Single Audit Report Finding Number: N/A

Salt Lake Community College (College) has inadequate internal controls over its process for verifying that an entity with which it contracts is not suspended or debarred from receiving federal funds. Per federal regulations (2 CFR 180), the required verification may be accomplished by either 1) checking the Excluded Parties List System (EPLS) maintained by the U.S. Government System for Award Management (SAM), 2) collecting a certification from the entity, or 3) adding a clause or condition to the agreement with the entity. The College's policy is to verify each vendor using the SAM site. In addition, it includes in each purchase order a clause stating that the vendor agrees to the College's Terms and Conditions found at <http://www.slcc.edu/>, which include the debarment clause. However, for 1 of 3 transactions tested, the College did not have adequate supporting documentation from the SAM site indicating its review of the vendor's suspended/debarred status. This error occurred because the College's buyer did not verify that the accounting technician performed a SAM search prior to approving the purchase order. As a result, noncompliance with federal requirements, potential questioned costs, or loss of future grant funding could occur. We were able to verify by checking SAM that the vendor was not an excluded party; therefore, we have not questioned any costs.

#### **Recommendation:**

**We recommend that the College strengthen internal controls over its process for verifying that vendors have not been suspended or debarred prior to participation in any covered transaction.**

#### **College's Response:**

*We are in agreement with this finding.*

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

*Salt Lake Community College has implemented a dynamic workflow step in its eProcurement software, SLCCBuy, to stop all Federal grant purchasing requisitions from completing before the Excluded Parties List System (EPLS) is checked and verified on the SAM site. The automatic stop will ensure that buyers are aware and cannot progress without verifying the contracting entity is not suspended or debarred from receiving Federal funds. Buyers cannot advance past this automatic control without the technician uploading documentation from SAM.gov confirming that the vendor is not suspended or debarred.*

Contact Person: *Brandon Thomas, Director of Purchasing, 801-957-4255*

Anticipated Correction Date: *The College implemented the dynamic workflow control as soon as the issue was identified.*

**2. INADEQUATE INTERNAL CONTROL OVER THE INCLUSION OF FEDERAL PROGRAM TIME ALLOCATIONS ON THE PERSONNEL ACTION FORMS**

Federal Agency: **Department of Education**

CFDA Number and Title: **84.048 Career and Technical Education**

Federal Award Number: **V048A160044-16A**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

During our review of payroll expenditures charged to the Career and Technical Education (CTE) Program at the College, we noted that for 2 of the 40 employees tested, the College did not specify on the personnel action forms (PAF) the time allocation for the federal programs on which the employees work prior to charging labor costs to the programs. In accordance with federal regulations (2 CFR Subpart E, Section 200.405), costs should be allocated to the benefitting federal programs. The College's policy is to establish the time allocations and include them on the employee's PAF at the time of hire, position change, or a new assignment. Although these two PAFs did not specify the time allocation, the after-the-fact certifications for both employees properly supported the time allocation for the programs; therefore, we have not questioned any costs.

These errors occurred because the various approvers of the PAFs did not notice the missing information and put their approving signature on the documents. Inadequate controls over establishment and documentation of time allocations could cause payroll expenditures to be incorrectly charged to federal programs, resulting in questioned costs and potential loss of future grant funding.

**Recommendation:**

**We recommend that College personnel improve their detailed review of personnel action forms to improve internal controls over the establishment and inclusion of time allocation on the forms.**

**College's Response:**

*We are in agreement with this finding.*

Corrective Action Plan:

*Payroll allocation for grants or any other College funds will not be entered in the Banner Payroll Module without an updated personnel action form (PAF). The grant accountant and payroll staff will collaborate to review all employees paid with grant funds to ensure PAFs are on file and are supportive of payroll allocations. Any new employee that will be paid using grant funds will not have pay allocated to the grant without a supporting PAF. All PAFs will be scanned and electronic copies will be maintained in the College's imaging software system, Nolij. Grant accountants will work with Principle Investigators (PIs) and will train departments on how to properly complete PAFs for submission to Human Resources and Payroll. With the change in staff and turnover at the College, management believes this to be an isolated instance and an opportunity to strengthen controls over payroll allocations.*

Contact Person: Annette Lowe, Payroll Manager, 801-957-4051

Anticipated Correction Date: December 31, 2017

3. **INADEQUATE CONTROL OVER REIMBURSEMENT REQUESTS FOR CTE EXPENDITURES**

Federal Agency: **Department of Education**

CFDA Number and Title: **84.048 Career and Technical Education**

Federal Award Number: **V048A160044-16A**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

The College submitted a reimbursement request to the Utah State Board of Education (USBE) for CTE expenditures incurred outside of the subaward period. The fiscal year 2016 CTE subaward initially provided to the College for July 1, 2015 through June 30, 2016 was extended until August 15, 2016. On September 16, 2016, the College submitted its final reimbursement request which included 10 expenditure transactions, totaling \$2,031.55, incurred between August 16–31, 2016. USBE requires all expenditures claimed in a reimbursement request to be incurred within the effective subaward dates. The Accounting Manager and CTE Director did not identify the erroneous charges during their reviews of the reimbursement requests. Because the \$2,031.55 of total costs incurred after the contract period ended is less than \$25,000, we have not questioned any costs. By requesting funds outside of the subaward period, the College could inadvertently cause USBE to inappropriately draw down federal funds in advance or expend funds outside of the period of performance for the federal grant.

**Recommendation:**

**We recommend that the appropriate College personnel improve their reviews of the expenditures supporting reimbursement requests to ensure requests are made only for actual expenditures incurred and paid during the subaward period.**

College's Response:

*We are in agreement with this finding.*

Corrective Action Plan:

*Prior to submission for reimbursement from the Utah State Board of Education (USBE), the Accounting Manager over Grants and Contracts will review supporting documentation and recalculate the totals for all categories on the reimbursement request form, particularly for grant year end, to ensure proper cutoff related to the reimbursement. Grant accountants will receive additional training to interpret dates in Banner Finance as to activity dates versus transaction dates and will collaborate as to reimbursement requests and calculations for complex grants. Management believes this to be an isolated instance and will use the findings as a training opportunity.*

*Contact Person: Harsha Naveen, Accounting Manager over Grants, 801-957-4676*

*Anticipated Correction Date: The College implemented this control as soon as the issue was identified.*