

UTAH DEPARTMENT OF VETERANS AND MILITARY AFFAIRS

Management Letter
For the Year Ended June 30, 2017

Report No. 17-13



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Bertha Lui, CPA, Senior Audit Manager
Doug Seager, CPA, Audit Supervisor

UTAH DEPARTMENT OF VETERANS AND MILITARY AFFAIRS
FOR THE YEAR ENDED JUNE 30, 2017

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OFFICE OF THE
STATE AUDITOR

MANAGEMENT LETTER NO. 17-13

January 16, 2018

Utah Veterans Advisory Council
and
Gary Harter, Executive Director
Department of Veterans and Military Affairs

In planning and performing our audit of the basic financial statements of the State of Utah as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Utah Department of Veterans and Military Affairs' (UDVMA) internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the UDVMA's internal control. Accordingly, we do not express an opinion on the effectiveness of UDVMA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or to detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We did note a certain deficiency which we are submitting for your consideration. This matter is described in the accompanying finding and recommendation.

As noted above, this audit was conducted in accordance with auditing standards generally accepted in the United States of America. These standards require us to convey that "this communication is intended solely for the information and use of UDVMA management, the Utah Veterans Advisory Council, and others within UDVMA and is not intended to be and should not be used by anyone other than these specified parties." However, this report is a public document and its distribution is not limited.

We appreciate the courtesy and assistance extended to us by the personnel of UDVMA 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, Senior Audit Manager
801-808-0481
blui@utah.gov

cc: Dennis N. McFall, Deputy Director
Raitos Archuleta, Financial Manager

FINDING AND RECOMMENDATION

INADEQUATE REVIEW OF ISF TRANSACTIONS

The Utah Department of Veterans and Military Affairs (UDVMA) did not review monthly FINET reports to ensure Internal Service Fund (ISF) systems transactions were posted on the state's accounting system (FINET) properly.

There are a number of ISF subsystems that interface with FINET to record revenues and expenditures for services performed by the subsystems (i.e. Internal Exchange Transactions [IETs] within Fleet, DTS, Risk Management, etc.). These transactions are posted to FINET and approved after 21 days, through a batch process initiated by the Division of State Finance, without the state agency having to go into FINET to approve the transactions. The key control over these ISF transactions is the review of monthly FINET reports by each individual agency.

The UDVMA was unaware that IETs and similar transactions could be charged to their department without department approval, and therefore, they were not reviewing the monthly FINET reports. Without this monthly review, there is an increased risk that inappropriate transactions could be posted to the UDVMA FINET accounts without detection.

Recommendation:

We recommend that UDVMA review their monthly FINET reports to determine that all ISF transactions (IETs and similar transactions) are appropriate.

UDVMA's Response:

We appreciate your recommendation and have implemented a monthly review process to determine that all ISF transactions are appropriate.