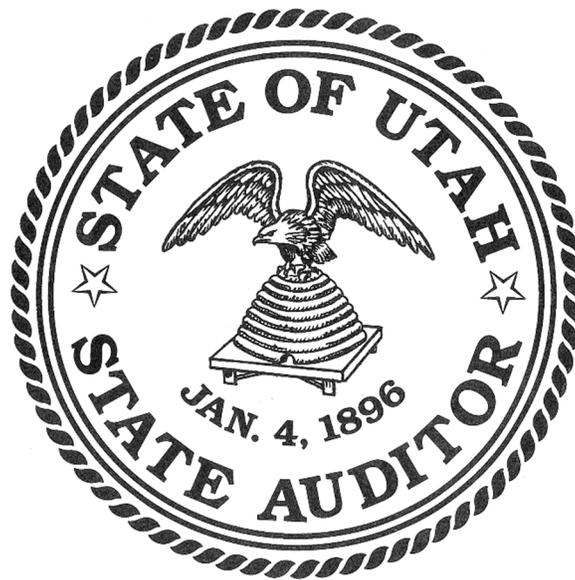


DEPARTMENT OF HUMAN SERVICES

Single Audit Management Letter
For the Year Ended June 30, 2018

Report No. 18-03



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Jason Allen, CPA, CFE, Senior Audit Manager
Chantel Wixon, Audit Senior

DEPARTMENT OF HUMAN SERVICES

Single Audit Management Letter FOR THE YEAR ENDED JUNE 30, 2018

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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. 18-03

October 1, 2018

Ann S. Williamson, Executive Director
Department of Human Services
195 North 1950 West
SLC, Utah 84116

Dear Ms. Williamson:

This management letter is issued as a result of the Department of Human Services' (DHS's) portion of the statewide single audit for the year ended June 30, 2018. 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 at DHS:

- Social Services Block Grant (CFDA #93.667)
- Block Grants for Prevention and Treatment of Substance Abuse (SAPT) (CFDA # 93.959)
- Substance Abuse & Mental Health Services Projects of Regional and National Significance (SAMH) (CFDA #93.243)

In planning and performing our statewide compliance audit of the programs listed above, we considered DHS's compliance with the applicable types of compliance requirements as described in the *OMB Compliance Supplement* for the year ended June 30, 2018. We also considered DHS's internal control over compliance with the types of requirements described above that could have a direct and material effect on the 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 DHS'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 DHS'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.

DHS'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 DHS during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



Jason Allen, CPA, CFE
Senior Audit Manager
801-808-0716
jasonallen@utah.gov

cc: Mark Brasher, Deputy Director
Lana Stohl, Deputy Director
R. Don Moss, Director, Bureau of Finance
Jennifer Evans, Director of Fiscal Operations
Doug Thomas, Director, Division of Substance Abuse & Mental Health

FINDINGS AND RECOMMENDATIONS

1. **INADEQUATE INTERNAL CONTROLS OVER PREPARATION OF SF-425 REPORTS FOR SAPT**

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

CFDA Number and Title: **93.959 Block Grants for Prevention and Treatment of Substance Abuse (SAPT)**

Federal Award Number: **2B08TI010052-16**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Finding Number(s): N/A

We reviewed the annual SAPT SF-425 report submitted by the Department of Human Services (DHS) for fiscal year 2018 and noted the following inaccuracies and internal control issues:

- a. The amounts entered on lines “10.e. Federal share of expenditures” and “10.d. Total Federal funds authorized” were overstated by \$134,507,185. Line 10.d. was pre-populated by the federal system, and even though DHS noticed the error, the report preparer entered the same overstated amount on line 10.e. without questioning the error at the time of the submission.
- b. Line 11 “Indirect Expenses” was left blank which created an understatement of \$444,951.
- c. The final SF-425 report was not reviewed by a second individual. A review of reports by an individual other than the person preparing the reports would help ensure accuracy and completeness.

Amounts reported in federal financial reports should be accurate and agree to FINET (the State’s general ledger) and/or other appropriate supporting documentation. These errors occurred due to clerical mistakes and the use of a new federal report submission system—electronic Research Administration (eRA). Not accurately reporting all required information results in inaccurate and/or incomplete program information being provided to users of the reports.

Recommendation:

We recommend DHS implement internal controls over federal financial reporting and take greater care to ensure the required reports are prepared accurately and completely. When corrections are required due to federal system errors, DHS should promptly contact the federal grant manager for guidance.

View of Responsible Officials:

We agree the federal SF-425 should be properly reported.

Corrective Action Plan:

Future SF-425 reports for SAMHSA grants will be reviewed by a second individual, and the federal agency will be contacted if system issues impact proper reporting. A revised report was submitted to SAMHSA.

Contact Person: Rick Platt, Financial Manager, 801-538-4262

Anticipated Correction Date: October 2018

2. INADEQUATE INTERNAL CONTROLS OVER PREPARATION OF SF-425 REPORTS FOR SAMH PROJECTS

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

CFDA Number and Title: **93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance (SAMH)**

Federal Award Numbers: **5H79TI026034-02 (SYT-P), G02HP28025-03-02 (UP), 1H79SM061666-01 (CABHI)**

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Finding Number(s): N/A

We reviewed 4 of the 9 SAMH SF-425 reports submitted by DHS for fiscal year 2018 and noted the following inaccuracies and internal control issues:

- a. The financial report for the SYT-P award and UP awards were not reviewed by a second individual before it was submitted through the electronic Research Administration (eRA) website. A review of reports by an individual other than the person preparing the reports would help ensure accuracy and completeness.
- b. Line 11, "Indirect Expenses," for the UP award report was understated by \$621. The indirect expense amounts reported in the federal financial reports should agree to FINET.
- c. In addition to the four reports sampled, we noted one award (CABHI) for which DHS did not submit all the SF-425 reports required during the award period. The award agreement stated that reports were to be submitted semi-annually, but no reports were submitted after the September 29, 2016 reporting period end date until the final March 29, 2018 reporting period end date. These reports were missed because of changes in staffing.

Recommendation:

We recommend that DHS implement internal controls over federal financial reporting and take greater care to ensure the required reports are prepared accurately, completely, and timely.

View of Responsible Officials:

We agree the federal SF-425 should be properly reported.

Corrective Action Plan:

Future SF-425 reports for SAMHSA and HRSA grants will be reviewed by a second individual. The Division of Substance Abuse and Mental Health (DSAMH) will use an electronic calendar to assist with DSAMH timely SF-425 reporting.

*Contact Person: Rick Platt, Financial Manager, 801-538-4262;
Justin Garner, Financial Manager, 801-538-9871*

Anticipated Correction Date: October 2018