



OFFICE OF THE
STATE AUDITOR



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Utah State Board of Education

Management Letter

Report No. 23-22

For the year ended June 30, 2023

March 7, 2024

Office of the State Auditor

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OFFICE OF THE
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Management Letter No. 23-21

March 8, 2024

Sydnee Dickson, Superintendent
Utah State Board of Education
250 East 500 South
PO Box 144200
Salt Lake City, UT 84114

Dear Superintendent Dickson:

This management letter is issued as a result of our audit of the State of Utah's basic financial statements as of and for the year ended June 30, 2023. It is also issued as a result of the Utah State Board of Education's (USBE) portion of the statewide federal compliance audit (Single Audit) for the year ended June 30, 2023. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our final reports on internal controls and on compliance required under *Government Auditing Standards* and federal *Uniform Guidance* will be issued under separate cover. These reports will also provide further detail as to considerations made during the course of the audit regarding internal controls and compliance, both at the financial statement and at the federal program level, and the limited purposes of those considerations. The purpose of this letter is to communicate with USBE management concerns identified during the course of our audit.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees to prevent or to detect and correct on a timely basis misstatements, errors, or instances of noncompliance. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatements, errors, or noncompliance are not prevented or are not detected and corrected on a timely basis.

Based on the audit procedures performed, we identified deficiencies in internal control which, while not considered material, we consider to be significant enough to merit the further attention of management and those charged with governance (Finding 1). We also identified Finding 1 as instances of noncompliance which we are required to report under *Uniform Guidance*.

In addition, during our audit, we also became aware of certain deficiencies in internal control (Findings 2 and 3) that are opportunities for strengthening internal controls and operating efficiencies.

USBE's written responses to and Corrective Action Plans for Finding 1 will be included in the final reports identified in the second paragraph above.

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 and not to provide an opinion on the effectiveness of the USBE's internal control over compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to *Utah Code* Title 63G Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.

We appreciate the courtesy and assistance USBE personnel extended to us during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



Doug Seager, CPA

Audit Director

801-808-0507

dseager@utah.gov

cc: Scott Jones, Deputy Superintendent of Operations
Debbie Davis, Chief Audit Executive
Kathleen Britton, Director of Child Nutrition Programs
Deborah Jacobson, Assistant Superintendent of Operations

Findings & Recommendations

Finding 1. USBE Did Not Properly Report All Required Subawards in the Federal Reporting System

(Finding Type: Significant deficiency and Reportable Noncompliance)

Federal Agency: Department of Education

Assistance Listing Number and Title: Child Nutrition Cluster (ALN 10.553, 10.555, 10.556, 10.559, 10,582)

Federal Award Number: Various

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

USBE did not properly report all required subawards in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Federal regulations (2 CFR Appendix-A-to-Part-170 a) require that USBE “report each action that equals or exceeds \$30,000 in Federal funds for a subaward.” We reviewed a sample of 40 Child Nutrition Program cluster (CNP) subawards to ensure that they were properly reported in FSRS. Of the 40 awards, 7 were not reported. The following table details the errors detected:

Transactions Tested	Subaward not reported	Report Not Timely	Subaward Amount incorrect	Subaward missing key elements
40	7	0	0	0
Dollar amount of tested transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$7,984,672	\$1,578,454	\$0	\$0	\$0

If these errors were projected to the entire population, they would impact 178 subawards totaling \$34,282,399. These errors were the result of problems with the data template USBE used to gather and submit the data. USBE personnel perform monthly reconciliations to ensure all subawards are properly uploaded to FSRS. However, the same template problems also impacted the review process, so USBE did not detect these issues. Incorrectly reported data could allow data users to reach improper conclusions which could alter decision making.

Recommendation:

We recommend that USBE ensure it accurately reports all first-tier subawards in a timely manner.

University's Response:

The USBE agrees with this finding.

Corrective Action Plan:

Employees have been trained, and we will continue to ensure they are trained in the reconciliation processes to mitigate the risk of this occurring again.

Contact Person: Scott Jones, Deputy Superintendent of Operations, Scott.jones@schools.utah.gov

Anticipated Completion Date: Completed, no further action necessary.

Finding 2. USBE Does Not Monitor Certain Subrecipients' Federal Compliance Audits

Federal Agency: Department of Education

Assistance Listing Number and Title: 84.425 Education Stabilization Fund

Federal Award Number: S425C210031, S425D210032, S425R210018

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

USBE does not ensure non-local education agency (non-LEA) subrecipients receive a federal compliance audit, nor does it ensure these subrecipients properly address any audit findings. USBE does have a process to review LEA subrecipients but does not for non-LEA subrecipients. USBE's monitoring process includes a robust system for reviewing all Education Stabilization Fund (ESF) subrecipient program expenditures, including non-LEAs. However, federal regulations (2 CFR 200.332(f)) require that pass-through entities verify subrecipients are audited when their federal expenditures are expected to surpass \$750,000. Federal regulations (2 CFR 200.332(d)(2)) further require that pass-through entities ensure subrecipients take timely and appropriate action to address audit findings.

Non-LEAs account for 21.2% of Education Stabilization Fund (ESF) subrecipients, but only receive 2.4% of ESF pass-through funds. Because LEAs receive the majority of funds, USBE focused its review efforts on LEAs, rather than non-LEAs. As a result, it is possible that non-LEAs with federal expenditures exceeding the threshold did not receive a required audit, or that non-LEAs have not properly addressed audit findings.

Recommendation:

We recommend that USBE implement a process to ensure that non-LEAs receive federally required audits and properly address any audit findings.

USBE's Response:

The USBE agrees with this finding.

Corrective Action Plan:

We will ensure that we schedule and effectively check this grant as we do all other grants under our management and control.

Contact Person: Scott Jones, Deputy Superintendent of Operations, Scott.jones@schools.utah.gov

Anticipated Completion Date: This is a perpetual compliance process and is implemented within 60 days or no later than May 1, 2024.

Finding 3. USBE Does Not Verify Certain Entities are Not Suspended or Debarred Prior to Distributing Federal Funds

Federal Agency: Department of Education

Assistance Listing Number and Title: Child Nutrition Cluster (ALN 10.553, 10.555, 10.556, 10.559, 10.582)

Federal Award Number: Various

Questioned Costs: N/A

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

USBE does not verify that certain entities are not suspended or debarred before awarding Federal funds subgrants. Federal regulations (2 CFR Section 180.300) requires that USBE "must verify that [subgrant recipients] ... [are] not excluded or disqualified [a.k.a. suspended or debarred]," before awarding Federal funds.

USBE has procedures in place to verify that all subgrant recipients tracked in the Utah Grants System (Utah Grants) are not suspended or debarred, but CNP subgrant recipients are not tracked in Utah Grants. Although some CNP subgrant recipients receive other subgrants from USBE, and are therefore subject to USBE's verification procedures, some do not. 27 of the 154 CNP subgrant recipients were not subject to USBE's verification procedures, but these recipients received only approximately 0.5% of funds distributed through CNP subgrant awards. If USBE does not verify that subgrant recipients are not suspended or debarred, it risks providing Federal funds to an entity that is suspended or debarred.

Recommendation:

We recommend that USBE verify that all subgrant recipients are not suspended or debarred prior to distributing Federal funds.

USB E's Response:

The USB E agrees with this finding.

Corrective Action Plan:

We will ensure that verification of all entities is completed to ensure the entity is not suspended or debarred prior to distributing federal funds. A record of the verification is kept ensuring compliance.

Contact Person: Scott Jones, Deputy Superintendent of Operations, Scott.jones@schools.utah.gov

Anticipated Completion Date: This is implemented/completed effective March 4, 2024.