



OFFICE OF THE
UTAH STATE AUDITOR



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University of Utah Research & Development

Audit Management Letter

For the year ended June 30, 2024

Report No. 24-23

Office of the State Auditor

Audit Leadership:

Tina Cannon, State Auditor

Bertha Lui, CPA, Audit Director

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**OFFICE OF THE
UTAH STATE AUDITOR**

Audit Management Letter

March 10, 2025

Taylor R. Randall, President
University of Utah
201 S. President's Circle, Room 203
Salt Lake City, UT 84112

Dear President Randall:

This management letter is issued as a result of our audit of the University of Utah's (University) portion of the statewide federal compliance audit (Single Audit) for the year ended June 30, 2024. 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 University 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 a deficiency 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).

The University's written response to and Corrective Action Plan for this finding 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

University'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 University 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,



Bertha Lui, CPA
Audit Director
801-808-0481
blui@utah.gov

cc: Cathy Anderson, CFO, University of Utah
Steven Phillips, Controller, University of Utah

Findings & Recommendations

Finding 1. Non-Payroll Expenditures Did Not Receive Adequate Reviews

(Finding Type: Significant Deficiency, Other)

Federal Agency: Department of Health and Human Services

Assistance Listing Number and Title: Research and Development Cluster (Various ALNs)

Federal Award Number: Various

Questioned Costs: None

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

The University of Utah (University) did not perform adequate reviews on three of 40 non-payroll expenditures transactions selected for review from the Research and Development (R&D) Cluster projects.

According to the University's policies, non-payroll expenditures are required to have one or both of the following controls procedures to be performed:

- Review and approval of individual expenditures by the R&D project's Principal Investigator (PI), or other appropriate personnel, at the time of purchase.
- Timely review and approval of monthly Management Reports by the R&D project's PI, Account Executive (AE), or a designated alternate. Pursuant to University Policy 3-003, this "Evidence of Review should ordinarily be completed within one month of receipt of the management reports."

In addition, 2 CFR 200.303 requires non-federal entities to establish, document, and maintain effective internal controls to provide reasonable assurance that it manages the federal awards in compliance with federal requirements.

Due to a lack of understanding of the importance of reviewing expenditures, as well as travel or technological issues, two expenditures were not reviewed in accordance with the University's policy. Additionally, a clerical accounting error caused the third expenditure to be recorded in the wrong accounting period and it was not effectively reviewed to prevent the error.

Without implementing proper controls, expenditures for unallowable activities or costs are more likely to be charged to federally funded projects without being detected and corrected.

Recommendations:

We recommend that the R&D project's PIs perform the following as required by the University's policy:

- Review management reports and complete the evidence of review (EOR) process within the allotted time frame; and
- Effectively perform review and approval of individual transactions.

University's Response:

The University agrees with the finding.

Corrective Action Plan:

The Controller's Office will work directly with the identified PI's to provide additional training and understanding of the importance of appropriate and timely approvals.

In addition, the Controller will work with the Office of Sponsored Projects and the Financial Reporting & Accounting office to review current training processes, as well as the process for notification and follow up with those AE's/PI's who do not meet the standard set forth in policy.

Contact Person: Steven Phillips

Anticipated Correction Date: 6/30/2025