

STATE OF UTAH
OFFICE OF THE UTAH STATE AUDITOR



TINA M. CANNON
UTAH STATE AUDITOR

Department of Environmental Quality

Interim Management Letter

For the year ended June 30, 2025

Report No. 25-08

Office of the Utah State Auditor

Audit Leadership:

Tina M. Cannon, State Auditor

Jason Allen, CPA, CFE, Audit Director

UTAH STATE CAPITOL, SUITE 260, SALT LAKE CITY, UT 84114, (801) 538-1025

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Interim Management Letter No. 25-08

October 21, 2025

Tim Davis, Executive Director
Department of Environmental Quality
300 S. Rio Grande Street
Salt Lake City, UT 84101

Dear Director Davis,

This management letter is provided to communicate, at an interim date, certain deficiencies identified in our audit procedures on the Department of Environmental Quality's (DEQ) portion of the State of Utah's statewide single audit for the year ended June 30, 2025. These audit procedures were performed on the Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing Number 21.027). This communication is based on our audit procedures performed through August 29, 2025. Because we have not completed the statewide federal compliance audit (Single Audit) for fiscal year 2025, additional federal programs at DEQ may be tested and additional issues may be identified and communicated in a subsequent management letter.

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 DEQ 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). We also identified Finding 1 as an instance of noncompliance which we are required to report under *Uniform Guidance*.

DEQ'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 DEQ'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 DEQ 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,



Jason Allen, CPA, CFE

Audit Director

801-808-0716

jasonallen@utah.gov

cc: Craig P. Silotti, Department of Environmental Quality, Finance Director
Duncan Evans, Managing Director of Budget Operations, Governor's Office of Planning & Budget

Findings & Recommendations

Finding 1. Inadequate SLFRF Subrecipient Monitoring

(Finding Type: Significant Deficiency, Reportable Noncompliance)

Federal Agency: Department of the Treasury

Assistance Listing Number and Title: 21.027 Coronavirus State and Local Fiscal Recovery Funds

Federal Award Number: Various

Questioned Costs: \$0

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: 2024-017

The Department of Environmental Quality (DEQ) did not adequately fulfill their subrecipient monitoring responsibilities for the State and Local Fiscal Recovery Funds (SLFRF) provided to DEQ by the Governor's Office of Planning and Budget.

For two of the six subrecipients selected (both at DEQ), DEQ did not adequately perform reviews of their subrecipients Single Audit reports and findings to assess whether the subrecipients spent the funds appropriately. The agency did not have adequate controls to ensure their subrecipients' Single Audit reports were monitored according to federal requirements. *Uniform Guidance* (2 CFR 200.332(e)) requires a review of subrecipient Single Audit reports when they become available and that any findings related to the applicable program are addressed.

The errors noted above were a result of the agency not fully understanding the nature of the funds they received and the extent of compliance requirements. Failure to establish internal controls and monitoring procedures may result in the subrecipient's noncompliance with federal fund requirements and potential misuse of federal funds.

Recommendation

We recommend that DEQ implement controls to ensure that review of subrecipient Single Audits and appropriate follow-up on findings related to the applicable subaward occur.

DEQ's Response & Corrective Action Plan

We agree that the review of two subrecipient Single Audit reports had not been completed at the time of the audit. The department has policy and procedures in place requiring the timely review of subrecipient monitoring. Our agency recently implemented a department-wide subrecipient monitoring tracking system, and are working with our divisions to get it fully operational. We are also updating our policy and procedures regarding federal funds that should help clarify roles and

responsibilities. In addition, we are re-emphasizing with appropriate staff the importance of timely monitoring of subrecipients.

Contact: Craig Silotti, Finance Director, 801 536-4460

Estimated Completion Date: 12/31/2025