

STATE OF UTAH
OFFICE OF THE UTAH STATE AUDITOR



TINA M. CANNON
UTAH STATE AUDITOR

Department of Agriculture and Food

Interim Management Letter

For the year ended June 30, 2025

Report No. 25-10

Office of the Utah State Auditor

Audit Leadership:

Tina M. Cannon, State Auditor

Jason Allen, CPA, CFE, Audit Director

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Interim Management Letter No. 25-10

October 21, 2025

Kelly Pehrson, Commissioner
Department of Agriculture and Food
4315 South 2700 West
Taylorsville, UT 84129

Dear Commissioner Pehrson,

This management letter is provided to communicate, at an interim date, certain deficiencies identified in our audit procedures on the Department of Agriculture and Food's (DAF) 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 DAF 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 DAF 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*.

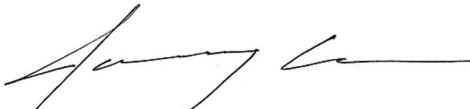
In addition, during our audit, we also became aware of a certain deficiency in internal control (Finding 2) that is an opportunity for strengthening internal controls and operating efficiencies.

DAF's written response to and Corrective Action Plan 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 DAF'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 DAF 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: Melanie Henderson, CPA, Finance Director
Duncan Evans, Managing Director of Budget Operations, Governor's Office of Planning & Budget

Findings & Recommendations

Finding 1. Unallowable Costs Charged to the SLFRF Program

(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: \$70,491

Pass-through Entity: N/A

Prior Year Single Audit Report Finding Number: N/A

We noted the following costs improperly charged to Coronavirus State and Local Fiscal Recovery (SLFRF) in our sample of 50 transactions selected during fiscal year 2025.

- The Department of Health and Human Services (DHHS), working with the Division of Technology Services (DTS) on an IT revitalization project, improperly charged \$79 for DHHS employees that were not working on the SLFRF-funded project and were not obligated before the deadline. Upon further investigation, a total of \$70,450 in improperly charged costs relating to this issue dating back to October 2024 were identified, which we questioned. This error was caused by an oversight of DHHS personnel that were no longer working for the project as of the end of the year and was not caught in DHHS's review of DTS charges to the project. These personnel costs were supposed to switch to other projects, but DHHS failed to notice that the switch never happened, relying too heavily on DTS to make the account coding changes. After bringing this to DHHS's attention and before the end of the fiscal year DHHS corrected these issues by entering a journal entry to move the questioned costs of \$70,450 out of SLFRF.
- The Department of Agriculture and Food (DAF) charged a \$41 lunch for their Water Optimization team in June 2025 to SLFRF. This is not an eligible use of SLFRF funds and was incurred after the obligation deadline. This error was caused by an oversight in the review process that allowed the charge to go through without the reviewer noticing the charge was unallowable and outside the award period for SLFRF. Internal controls should provide reasonable assurance that charges are allowable and within the proper timelines. After the discovery of these questioned costs, DAF corrected the issue by entering a journal entry to move the questioned costs of \$41 out of SLFRF.

2 CFR 200.303 states, "The non-Federal entity must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal Award." Not paying close enough attention to what is being

charged to federal programs during the transaction review process could allow costs to be inappropriately charged to a federal program and result in questioned costs.

Recommendation

We recommend that DHHS and DAF improve their internal control review process to ensure that only properly coded and allowable costs are charged to the federal program.

DAF's Response

UDAF agrees with this finding. The coding for the transaction identified was corrected as soon as the error was identified.

Corrective Action Plan

Supervisors who review ARPA SLFRF payments have been reminded of the importance of ensuring only allowable costs are coded to the SLFRF grant prior to approving. In addition to supervisor reviews, a Financial Manager who understands the grant requirements will perform a monthly review of all transactions charged to the SLFRF grant to ensure all expenses are allowable.

Responsible Person: Melanie Henderson, Finance Director, 385-320-6808

Anticipated Completion Date: October 1, 2025

Finding 2. Obligation Missed and Not Reported Quickly

(Finding Type: Other)

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: N/A

The Department of Agriculture and Food (DAF) failed to report an obligation of \$262,466 in Coronavirus State and Local Fiscal Recovery Funds (SLFRF) for one of their key personnel through December 31, 2026 in their obligation report to the Governor's Office of Planning and Budget (GOPB). GOPB therefore did not report those personnel expenses charged after the obligation deadline to the Treasury by January 31, 2025. SLFRF FAQ 17.8 states that "If a recipient elects to provide an estimate for such

personnel costs, recipients must ... report that amount to Treasury by January 31, 2025, for quarterly reporters ... with an explanation of how the amount was determined.”

The DAF staff in charge of communicating the obligations to GOPB to allow GOPB to report to Treasury was new in the position, and inexperience allowed for the key personnel to be inadvertently left off the list. This exclusion occurred in July 2024 and was neither caught by DAF or GOPB, nor was the obligation report reviewed by anyone else at DAF before sending it to GOPB. In February 2025, DAF personnel realized their mistake and notified GOPB of the additional \$262,466 obligation that should have been included. GOPB did not report this additional obligation to the Treasury in the next quarterly report.

We do not question the costs charged after the December 31, 2024 obligation deadline because we were able to verify the DAF key personnel were serving in a position previously established and filled prior to the obligation deadline. In accordance with SLFRF FAQ 17.7, Treasury would consider this situation as an incurred obligation with respect to these personnel costs and therefore, the subsequent associated expenditures would be considered properly obligated. Improperly reported obligations could impact the calculation of SLFRF funds, which the Treasury may require to be returned as not obligated by the December 31, 2024 obligation deadline.

Recommendation

We recommend DAF ensure all obligations are properly included and reviewed when submitting items with federal requirements. We also recommend GOPB maintain appropriate oversight of these funds to ensure proper and timely reporting of obligations.

DAF’s Response

UDAF agrees with this finding. UDAF had obligated the personnel expenses in agency documentation but inadvertently left off one employee on the formal communication with GOPB. As noted in the finding, UDAF identified this error prior to the audit and notified GOPB.

Corrective Action Plan

Training has already occurred with UDAF employees responsible for compliance to ensure they are aware of SLFRF grant requirements. A Financial Manager who understands the grant requirements will perform a monthly review of all transactions charged to the SLFRF grant to ensure they were properly obligated. The Finance Director will review all SLFRF grant communications to GOPB to ensure accurate information is provided.

Responsible Person: Melanie Henderson, Finance Director, 385-320-6808

Anticipated Completion Date: October 1, 2025