

**UTAH STATE OFFICE OF EDUCATION
and
UTAH STATE OFFICE OF REHABILITATION**

Single Audit Management Letter
For the Year Ended June 30, 2013

Report No. 13-07



**OFFICE OF THE
UTAH STATE AUDITOR**

**UTAH STATE OFFICE OF EDUCATION
and
UTAH STATE OFFICE OF REHABILITATION**

Single Audit Management Letter
For the Year Ended June 30, 2013

Report No. 13-07

AUDIT TEAM:

Jon T. Johnson, CPA, Audit Director
Jolene Cooley, Audit Senior



OFFICE OF THE
UTAH STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER NO. 13-07

October 21, 2013

To the Utah State Board of Education, Audit Committee,
and
Martell Menlove, State Superintendent of Public Instruction
Utah State Office of Education

This management letter is issued as a result of the Utah State Office of Education's (USOE's) and the Utah State Office of Rehabilitation's (USOR's) portion of the statewide federal compliance audit for the year ended June 30, 2013. Our report on the statewide federal compliance audit for the year ended June 30, 2013 is issued under separate cover. The following federal programs were tested as major programs at the USOE and the USOR:

- Child and Adult Care Food Program (CACFP)
- Title I Grants to Local Educational Agencies (TIPA)
- Vocational Rehabilitation (VOCR) Cluster
- IDEA Cluster (SE)
- Career and Technical Education Grant (CTE)
- Social Security Disability Insurance (SSI).

In planning and performing our audit of the federal programs listed above, we considered the USOE's and the USOR's compliance with the applicable types of compliance requirements as described in the OMB Circular A-133 Compliance Supplement for the year ended June 30, 2013. We also considered the USOE's and the USOR's internal control over compliance with the requirements previously described that could have a direct and material effect on the federal programs in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the USOE's and the USOR's internal control over compliance.

Our consideration of internal control over compliance was for the limited purposes described in the preceding 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. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 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. We identified a certain deficiency in internal control that we consider to be a material weakness. This deficiency is identified in the accompanying table of contents and is described in the accompanying schedule of findings and recommendations.

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. We identified certain deficiencies in internal control that we consider to be significant deficiencies. These significant deficiencies are identified in the accompanying table of contents and are described in the accompanying schedule of findings and recommendations.

In addition, we noted other matters involving internal control over compliance which we are submitting for your consideration. These matters are described in the accompanying schedule of findings and recommendations.

The USOE's and the USOR's written responses to the findings identified in our audit have not been 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. This communication is an integral part of an audit performed in accordance with OMB Circular A-133 in considering the USOE's and the USOR's internal control over compliance. Accordingly, this communication is not suitable for any other purpose.

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

Sincerely,



Jon T. Johnson, CPA

Audit Director

801-538-1359

jonjohnson@utah.gov

cc: Russell Thelin, Executive Director, Office of Rehabilitation
Gary Belliston, Director of Internal Accounting/Controller
Bruce Williams, Associate Superintendent for Business Services, Office of Education
David Roberts, School Finance Director, Office of Education
Natalie Grange, Internal Auditor, Office of Education

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Finding Type:

MW Material Internal Control Weakness
SD Significant Deficiency of Internal Control
RN Reportable Noncompliance or Illegal Acts

Applicable To:

f Federal Program

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VOCATIONAL REHABILITATION

1. NONCOMPLIANCE WITH INTERNAL POLICY FOR VEHICLE MODIFICATIONS

Federal Agency: **Department of Education**

CFDA Number and Title: **84.126 Vocational Rehabilitation**

Federal Award Number: **H126A100066, H126A110066, H126A120066, H126A130066**

Questioned Costs: N/A

Pass-through Entity: N/A

The Office of the Utah State Auditor conducted a performance audit of the Division of Rehabilitation Services (DRS), a division within the Utah State Office of Rehabilitation (USOR), for the period January 1, 2010 through December 31, 2012. The performance audit included a review of federal Vocational Rehabilitation program expenditures. The audit team noted 15 non-farm vehicle modifications for disabled individuals, totaling \$516,432 over the three year period, for which the counselors did not follow an internal policy memo (Case Service Memo 2006-04, dated September 15, 2006) prepared to help them determine when a modification was necessary and appropriate.

Among other concerns, the audit team found it was not clear from any of the vehicle modification authorizations whether the modifications were the least costly alternative. Several vehicle modification authorizations—including one to a DRS employee who became a Vocational Rehabilitation program client—seemed unnecessary when considering other options. Further investigation for purposes of our federal compliance audit has not been performed and no amounts have been questioned because 1) vehicle modifications can be deemed allowable programs expenditures when necessary to assist an individual with a disability in preparing for, securing, retaining, or regaining employment, 2) the maximum potential error to the program is not material, and 3) determining specific questioned costs in this circumstance is deemed impractical.

Recommendation:

We recommend that DRS improve internal controls over Vocational Rehabilitation program disbursements for vehicle modifications to ensure that all such disbursements are necessary, reasonable, and considered the least costly alternative.

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USOR's Response:

The USOR program expends over \$20 million per year toward direct client services. While only a small percentage of total expenditures, vehicle modifications are unusual in nature and we agree that the determination to incur expenditures for vehicle modifications should be governed by clear policy and documented in a manner that carefully considers all cost alternatives and appropriately justifies why such a service is provided. The USOR will 1) conduct a thorough review and revision of the current transportation and vehicle modification policies, and 2) provide additional training on existing and modified policies and on proper documentation to all USOR Vocational Rehabilitation Counselors.

The USOR has begun the process of hiring an internal auditor, under the direction of the State Board of Education Internal Auditor. The internal auditor will conduct a risk assessment on the Vocational Rehabilitation program, evaluate internal controls at USOR and other outlying offices, review policies and procedures and make additional recommendations to strengthen internal controls. A case monitoring and documentation review process will also be evaluated. All USOR vocational rehabilitation counselors will be provided additional training on existing and modified policies and on proper documentation of eligibility and determination issues.

*Contact Person: Russell Thelin, Executive Director, Utah State Office of Rehabilitation,
(801) 538-7540*

Anticipated Correction Date: January 30, 2014

2. INADEQUATE CONTROLS OVER DIRECT PAYMENTS TO CLIENTS FOR GOODS OR SERVICES

Federal Agency: **Department of Education**

CFDA Number and Title: **84.126 Vocational Rehabilitation**

Federal Award Number: **H126A100066, H126A110066, H126A120066, H126A130066**

Questioned Costs: **\$14,058**

Pass-through Entity: N/A

The Office of the Utah State Auditor conducted a performance audit of the Division of Rehabilitation Services (DRS) for the period January 1, 2010 through December 31, 2012, which included a review of federal Vocational Rehabilitation program expenditures. The audit team noted 8 payments, totaling \$14,058, which were made directly to individuals receiving Vocational Rehabilitation program services rather than to the providers of the goods or services and for which DRS did not obtain adequate documentation from the individuals to support the payments. DRS may authorize direct payments to an individual—

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rather than paying a vendor directly—only as a last resort when direct payment from DRS cannot be arranged and when no comparable alternative exists; however, the individual must provide appropriate documentation to support the program expenditure.

DRS accounting records indicate that payments totaling \$347,334 were made directly to individuals receiving Vocational Rehabilitation program goods or services over the three year period covered in the performance audit. Because this amount is not material to the program, further investigation for purposes of our federal compliance audit was not performed; however, we have questioned the costs associated with the 8 payments noted above, totaling \$14,058.

Recommendation:

We recommend that DRS strengthen internal controls to ensure that adequate documentation is obtained in circumstances when it is deemed necessary to make direct payments to clients for goods or services.

USOR's Response:

The USOR agrees that direct payments to clients instead of vendors should only be authorized in specific circumstances, properly approved and documented as required by USOR policy. The USOR will conduct a thorough review and revision of direct payment guidelines to ensure compliance with federal requirements and the recommendations of the audit, and will provide training on these policies and for proper documentation to all USOR Vocational Rehabilitation Counselors. The internal auditor assigned to USOR will evaluate internal controls, the approval and monitoring process, and documentation standards and make recommendations to strengthen internal controls.

*Contact Person: Russell Thelin, Executive Director, Utah State Office of Rehabilitation,
(801) 538-7540*

Anticipated Correction Date: January 30, 2014

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3. ERRORS IN FEDERAL FINANCIAL REPORTS FOR VOCATIONAL REHABILITATION

Federal Agency: **Department of Education**

CFDA Number and Title: **84.126 Vocational Rehabilitation**

Federal Award Number: **H126A110066**

Questioned Costs: **N/A**

Pass-through Entity: **N/A**

We tested the SF-425 and RSA-2 reports ending September 30, 2012 prepared by USOR for the Vocational Rehabilitation grant and noted the following errors in the reports:

- a. For the RSA-2, the number of cases for the Training Total (line 4 e. in Schedule II) was understated by 1,712 cases.
- b. For the RSA-2, the number of cases and the dollar allocation of Post-Employment Services (line 11 in Schedule II) were understated by 14 and \$34,071, respectively.
- c. For the RSA-2, the number of cases and the dollar allocation of Rehabilitation Technology Services (line 12 in Schedule II) were overstated and understated by 155 and \$398,988, respectively.
- d. For the RSA-2, the number of cases and the dollar allocation of Small Business Enterprises (line 13 in Schedule II) were overstated by 141 and \$108,376 respectively.
- e. For the SF-425, the amount used as the base to calculate indirect costs was \$2,665,811 when it should have been \$2,686,729, resulting in indirect costs being reported as \$341,224 when they should have been \$343,901.

These errors occurred due to mistakes made by the preparer when entering the numbers into the report. Errors in financial reporting can result in the disallowance of costs and may affect future award amounts.

Recommendation:

We recommend that the USOR establish appropriate internal controls over the preparation, review, and approval of federal reports.

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USOR's Response:

The preparer of the report used the prior year report as a base and did not zero out all of the lines before completing the 2012 Rehabilitation Services Administration (RSA) 2 report. The understatements identified in items a-d of the audit occurred because the 2012 RSA 2 was not updated for 2012 figures, instead reporting the same numbers as the 2011 RSA 2. We also agree that the base upon which indirect costs is calculated was understated by some state training dollars, which were inadvertently left out of the calculation, resulting in an overall understatement of indirect costs. I believe that all of the errors detected in this report have been corrected with the RSA. In the future, the preparer will ensure that a new, blank form is used and that queries are complete and accurate. The USOR is also cross training another USOR accountant to prepare and review draft reports, prior to submission to the RSA which should detect errors such as those identified.

Contact Person: *Russell Thelin, Executive Director, Utah State Office of Rehabilitation,
(801) 538-7540*

Anticipated Correction Date: *October 31, 2013*

SOCIAL SECURITY DISABILITY INSURANCE

4. INACCURATE PREPARATION OF THE SSA-4513

Federal Agency: **Social Security Administration**

CFDA Number and Title: **96.001 (SSI) Disability Determination**

Federal Award Number: **04-1204UTDI00**

Questioned Costs: N/A

Pass-through Entity: N/A

The Utah State Office of Rehabilitation (USOR) did not accurately prepare the SSA-4513 report for the quarter ended September 30, 2012 for the Social Security Disability Insurance program. The inaccuracies included the following:

- a. Multiple clerical errors which resulted in an understatement of disbursements by approximately \$737,521, overstatement of unliquidated obligations by approximately \$737,765, and an overstatement of total obligations of \$244.
- b. Misclassification of \$32,099 of disbursements.
- c. Incorrect date ranges on the 4513 Addendum.
- d. Subtotals that were not mathematically correct.

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These errors are the result of 1) insufficient knowledge and training for the report preparer regarding grant requirements and report instructions, and 2) inadequate review of the report preparer's work to ensure accuracy. Similar errors were also noted in the prior year's report.

Reports should agree to underlying documentation. Submitting inaccurate reports to the Social Security Administration may affect future award amounts.

Recommendation:

We recommend that the USOR establish appropriate internal controls over the preparation, review, and approval of federal reports.

USOR's Response:

The USOR agrees with this finding. This report and the accountant that prepared the report were undergoing significant training during the fiscal year. A review process was in place where the supervisor would recalculate and review the draft report submission prior to the report being submitted to the Federal Social Security Administration (SSA). The supervisor had identified issues that needed correction; however, the employee submitted the report to the SSA in final form, prior to making those corrections. The employee is no longer with the USOR and a new accountant is being trained to complete this report. The same review and approval process will be in place to ensure that reports are submitted in a complete and accurate manner. The USOR is also cross training another USOR accountant to prepare and review draft reports, prior to submission to the SSA which should detect errors such as those identified.

*Contact Person: Jeff Young, USOR Financial Manager, (801) 538-7633
Anticipated Correction Date: Implemented*

5. INACCURATE REPORTING OF HOURS ON THE SSA-4514

Federal Agency: **Social Security Administration**
CFDA Number and Title: **96.001 (SSI) Disability Determination**
Federal Award Number: **04-1204UTDI00**
Questioned Costs: N/A
Pass-through Entity: N/A

The Utah Disability Determination Services (DDS) inaccurately reported the number of hours paid on the SSA-4514 report for the quarter ended September 30, 2012, resulting in an understatement of one hour of overtime for one individual, and an understatement of 2 hours

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of On Duty Hours plus an overstatement of 2 hours of Holiday and Leave Hours for another individual. These errors occurred due to mistakes made by the report preparer. This is a reoccurring problem from the prior year's management report, but USOR appears to have improved the process and significantly less errors were found.

Reports should agree to underlying documentation. Submitting inaccurate reports may affect future award amounts.

Recommendation:

We recommend that DDS review the report to ensure all employees and all categories of time are appropriately included.

USOR's Response:

The USOR agrees with this finding. The accountant that prepared the report received significant training during the fiscal year. A review process was developed and implemented and significant improvements have occurred during the past year. The Disability Determination Services (DDS) division will continue to perform the review and approval process prior to submitting these reports to USOR to finalize. The USOR is also cross training another USOR accountant to prepare and review draft reports, prior to submission to the SSA which should detect errors such as those identified.

Contact Persons: Jeff Young, USOR Financial Manager, (801) 538-7633

Paul Clingo, DDS Division Director, (801) 321-6501

Anticipated Correction Date: Implemented

TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

6. FAILURE TO PROVIDE SIGNIFICANTLY EXPANDED CHARTER SCHOOLS WITH ACCESS TO FEDERAL FUNDS

Federal Agency: **Department of Education**

CFDA Number and Title: **84.010 Title I Grants to Local Educational Agencies**

Federal Award Number: **S010A120044-12A**

Questioned Costs: **N/A**

Pass-through Entity: **N/A**

The USOE is required to provide access to federal funds for new or significantly expanded charter schools. We noted three charter schools that were significantly expanded for the

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2012-2013 school year, but were not given access to all available Title I funds. The cause of this error is a result of miscommunication between employees and misunderstanding by a new employee preparing the allocation schedule concerning which charter schools were identified as significantly expanded for the proper year.

Recommendation:

We recommend that the USOE properly identify significantly expanded charter schools and inform them regarding the availability of federal funds so that funds can be allocated correctly.

USOE's Response:

The USOE agrees that there was a misunderstanding and miscommunication between staff in identifying significantly expanded charter schools. It is the practice of the USOE to discuss and determine significantly expanded charter schools according to the law prior to preparing funding calculations. A data set for school year 2011-2012 was identified and used incorrectly in preparing the allocation schedule. The listing of significantly expanded schools for 2012-2013 should have been used, which resulted in the exclusion of three charter schools. The State Title I Director will review the final draft of the calculation, with supporting documentation, and ensure that all significantly expanded schools are included and that the calculations are correct. The USOE feels that this issue will not be repeated.

*Contact Persons: Karl Wilson, State Director ESEA and Special Programs, 801-538-7509
David Roberts, USOE Director of School Finance, 801-538-7668
Marlies Burns, USOE Director of Charter Schools, 801-538-7817*

Anticipated Correction Date: November 2013

7. IMPROPER CALCULATIONS IN THE MAINTENANCE OF EFFORT DETERMINATION

Federal Agency: **Department of Education**

CFDA Number and Title: **84.010 Title I Grants to Local Educational Agencies**

Federal Award Number: **S010A120044-12A**

Questioned Costs: **\$-0-**

Pass-through Entity: **N/A**

The USOE did not correctly calculate the net current expenditures used to determine maintenance of effort. OMB Circular A-133 Compliance Supplement, Section G, indicates that all expenditures made with federal funds must be excluded from the calculation. Since

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the net current expenditures are the base for the Maintenance of Effort (MOE) determination, inaccuracies may cause improper determination of MOE and allocation of funds. Although we found an error in the calculation, we determined that the USOE is in compliance with MOE determination. This error was due to inadequate understanding of the compliance requirement by the employee calculating MOE.

Recommendation:

We recommend that USOE improve internal controls over calculating the net current expenditures used in the determination of MOE compliance.

USOE's Response:

The USOE Title I division agrees with this finding. Maintenance of Effort (MOE) is calculated by School Finance and provided to Title I section for review. Substantial changes have occurred in the calculation of MOE for Title I during the past year. School Finance staff modified the MOE calculations to comply with Federal MOE Title I regulations, which were reviewed by Title I staff prior to being finalized. In calculating the current expenditures amount, expenditures were included for the General Fund, Student Activity Funds, and Food Service Funds, but federal revenues were excluded for funds other than those included in the current expenditures calculation. The expenditures and revenues included in the calculation should be from consistent applicable funds. The error did not result in noncompliance or the State not maintaining MOE; however, the error was not detected in the review by the Title I section.

We believe the error has been corrected. Title I and School Finance meet yearly to update the MOE calculation, and Title I will review the calculation prior to it being finalized. We do not anticipate errors in future calculations.

*Contact Person: Karl Wilson, State Director ESEA and Special Programs, (801) 538-7509
Anticipated Correction Date: Completed*

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CAREER AND TECHNICAL EDUCATION

8. INACCURATE PREPARATION OF ACCOUNTABILITY REPORT

Federal Agency: **Department of Education**
CFDA Number and Title: **84.048 Career and Technical Education**
Federal Award Number: **V048A100044A**
Questioned Costs: **N/A**
Pass-through Entity: **N/A**

An annual Accountability Report is submitted by the USOE to show the progress of LEAs and State colleges and universities in achieving target levels of performance. For the fiscal year 2011 Accountability Report submitted for the Career and Technical Education Grant (CTE), the target levels of performance for five core indicators of performance were inaccurately reported. This error occurred because the report preparer did not use the actual targets approved by the Federal Grant Award Letter. The discrepancies were as follows:

Core Indicators	Targets reported in the Accountability Report	Approved Grant Award Targets that should have been reported
Secondary School Completion (3S1)	92.21%	91.21%
Nontraditional Completion (6S2)	27.68%	20.70%
Technical Skill Attainment (1P1)	25.50%	27.00%
Credential, Certificate or Diploma (2P1)	34.23%	35.00%
Student Placement (4P1)	75.52%	42.11%

Since grant awards are often determined based on whether target levels of performance are met, submitting inaccurate reports may affect future award amounts from the U.S. Department of Education. A review of the report to ensure that all numbers were correctly entered could have detected these errors.

Recommendation:

We recommend that the USOE establish appropriate internal controls over the preparation, review, and approval of federal reports.

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USOE's Response:

CTE acknowledges the use of targets that were not the most current figures. Internal controls have been established to verify the target figures for all indicators of performance at multiple times throughout the year, including prior to filling our annual Accountability Report. This issue has been corrected and greater care will be taken in the future.

*Contact Person: Mary Shumway, State Director CTE, (801) 538-7852
Anticipated Correction Date: Implemented*

9. NONCOMPLIANCE WITH MAINTENANCE OF EFFORT REQUIREMENTS

Federal Agency: **Department of Education**
CFDA Number and Title: **84.048 Career and Technical Education**
Federal Award Number: **V048A100044A**
Questioned Costs: **\$-0-**
Pass-through Entity: N/A

We reviewed the maintenance of effort (MOE) calculation prepared by the USOE for fiscal year 2011 to determine compliance with MOE requirements and noted the following:

- a. The USOE improperly included some capital expenditures in the secondary education portion of the MOE calculation. Although the USOE excluded capital expenditures for equipment, they improperly included \$440,375 of buildings, land, and improvements in the MOE calculation. Per Perkins IV Section 311 (b)(1)(B), a State must exclude all capital expenditures in the calculation of MOE. This error occurred because there was no control in place to ensure that all capital expenditures are properly excluded from the higher education portion of the calculation.
- b. The State failed to maintain its level of effort for fiscal year 2011 when compared to fiscal year 2010 by \$1,430,122, which represents a deficiency of less than 1% of the required MOE amount. This resulted in apparent noncompliance with supplement vs. supplanting requirements. This noncompliance occurred because the state funding provided was not at a level sufficient to meet the grant requirements.

Inclusion of unallowed expenditures in the MOE calculation can result in potential questioned costs. Failure to maintain the required state level of effort could potentially result in a reduction of future federal awards.

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Recommendation:

We recommend that the USOE improve internal controls over the preparation of the MOE calculation to ensure that all capital expenditures are properly excluded. We also recommend that the USOE consider requesting an exemption from the MOE requirements for the 2011 award year.

USOE's Response:

The CTE section, in cooperation with the School Finance section, continues to develop a process for reviewing the MOE calculations. This revised review process will be performed on the 2014 MOE calculation. The review process on the 2013 MOE calculation failed to detect some capital expenditures which should have been excluded. There are multiple methods of calculating MOE allowed by the Office of Vocational and Adult Education (OVAE). CTE is working with OVAE to run comparison figures for the last few years for the multiple methods allowed. CTE and OVAE will determine the most appropriate calculation method for Utah which addresses Utah's compliance with the maintenance of effort requirements.

*Contact Person: Mary Shumway, State Director CTAE, (801) 538-7852
Anticipated Correction Date: February 2014*

10. INADEQUATE RECORDS RETENTION FOR THE CAREER AND TECHNICAL EDUCATION (CTE) ALLOCATION

Federal Agency: **Department of Education**
CFDA Number and Title: **84.048 Career and Technical Education**
Federal Award Number: **V048A100044A**
Questioned Costs: **\$-0-**
Pass-through Entity: N/A

The USOE did not retain adequate records to support their fiscal year 2011 allocation for Postsecondary CTE. Without this documentation, we were initially unable to determine that the fiscal year 2011 allocation for Postsecondary CTE was calculated properly. Audit documentation should be retained for three years after federal awards have been expended regardless of when the records were collected. This error occurred because the USOE purged the records when they were three years old rather than retaining them for three years *after the award had been expended*.

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Using information which was re-collected by USOE for our audit, we determined that three institutions received an excess allotment of postsecondary CTE funds totaling \$15,238, which in turn caused other institutions to receive less than their proper allotment. Because the re-collected information indicates that the postsecondary CTE dollars allocated in total were appropriate, we have not questioned any costs.

Recommendation:

We recommend that the USOE retain all necessary audit documentation for three years after the federal awards have been expended, regardless of when the data was collected.

USOE's Response:

CTE acknowledges this instance of inadequate record retention. CTE staff members have received current records retention training and processes are now in place to ensure that records are kept and available for review. This issue has been corrected and greater care will be taken in the future.

*Contact Person: Mary Shumway, State Director CTAE, (801) 538-7852
Anticipated Correction Date: Implemented*

IDEA SPECIAL EDUCATION

11. FORMULA ERROR IN ALLOCATION OF PROGRAM FUNDS TO LEAs

Federal Agency: **Department of Education**
CFDA Numbers and Titles: **84.027A (SE) IDEA Special Education**
Federal Award Number: **H027A120059-12A**
Questioned Costs: **\$-0-**
Pass-through Entity: N/A

We reviewed the allocation of Special Education funds to LEAs computed for school year 2012–2013 to determine compliance with earmarking requirements and noted one error during our review. A clerical error in a spreadsheet formula resulted in an underallocation of \$5,352 to a school district. Because the total allocated funding was appropriate, we have not questioned any costs.

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Recommendation:

We recommend that the USOE improve internal controls over program allocations to ensure allocations to individual LEAs are appropriate.

USOE's Response:

The USOE Special Education Division agrees with this finding. In the calculation of one section of the IDEA formula, a data inconsistency caused a formula error resulting in one LEA not receiving the correct value for the enrollment of students in private schools within the district boundary. The amount allocated to the LEA was \$98,836. The amount the LEA should have received was \$104,115. The USOE routinely provides more funding to LEAs than is required based on the maximum set-aside amounts established by the Office of Special Education Programs (OSEP). The minimum amount USOE was required to provide to the LEA based on OSEP limits was \$100,512.

The USOE Special Education Section has a Data Quality Review process in place that is applied to all published data and reports, including the formulas used to calculate IDEA funding. This Data Quality Review process was implemented beginning in May 2012, after the FY13 IDEA formula was prepared, thus this calculation was not subject to the quality review process.

Beginning with the FY14 IDEA calculation, the Special Education Section has requested verification of the calculation from the Internal Audit department, in addition to the Data Quality Review. We feel this will bring an extra layer of attention to detail to the calculation of funds, and will specifically address potential problems and allow for correction prior to the completion of the single audit.

The USOE will restore \$5,279 to the LEA by October 31, 2013. IDEA funds that are set aside for state-level activities will be used to restore the correct funding amount to the LEA, so that no other LEAs face a funding reduction as part of the correction process.

Contact Person: Jennifer Howell, Special Education Finance, (801) 538-7627

Anticipated Correction Date: Implemented

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MULTIPLE FEDERAL PROGRAMS

12. INADEQUATE INTERNAL CONTROL OVER TRANSPARENCY REPORTING

Federal Agencies: **U.S. Department of Education**
USDA – Food and Nutrition Services

CFDA Numbers and Titles: 1) **84.010 Title I Grants to Local Educational Agencies**
2) **84.027 IDEA Cluster**
3) **84.048 Career and Technical Education**
4) **10.558 Child and Adult Care Food Program**

Federal Award Numbers: 1) **S010A110044**
2) **H027A110059**
3) **V048A110044-11A**
4) **11113UT311N2020 and 12123UT311N2020**

Questioned Costs: N/A
Pass-through Entity: N/A

This finding was identified during our testwork for the fiscal year ended June 30, 2012. The finding has not been fully implemented by the Utah State Office of Education (USOE) and is presented here to show the updated corrective action plan.

The USOE does not have adequate internal controls to ensure that they complied with subaward reporting requirements under the Federal Funding Accountability Transparency Act (FFATA) in a timely manner for Title I, IDEA Cluster, Career and Technical Education, and Child and Adult Care Food Program (CACFP). We requested documentation for our audit of the USOE on February 21, 2012 and determined that, due to a misunderstanding of the FFATA requirements, the required subaward reporting had not been properly entered into the FFATA Subaward Reporting System (FSRS). Many of these subawards should have been reported by August 31, 2011. Beginning in March 2012, the USOE began entering subaward reports in FSRS but adequate controls to capture all subawards that needed to be entered under FFATA had not been completely developed, and subawards for CACFP had not been entered.

Recommendation:

We recommend that the USOE provide adequate training on grant requirements and implement adequate internal controls so that all subawards that need to be reported for FFATA are reported in a timely manner consistent with grant compliance requirements.

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USOE's Response:

Manually entering the FFATA reports is not realistically feasible. FSRs website provides for an upload of the data. Our internal accounting system has been modified to allow us to create reports for the batch upload process. This modification was recently completed. Unfortunately, the uploads have not been successful because of data required in the report. The data not being accepted is in vendor file and we are in the process of correcting each vendor to allow a successful upload.

Contact Person: Gary Belliston, USOE Controller, 801-538-7627

Anticipated Correction Date: November 1, 2013