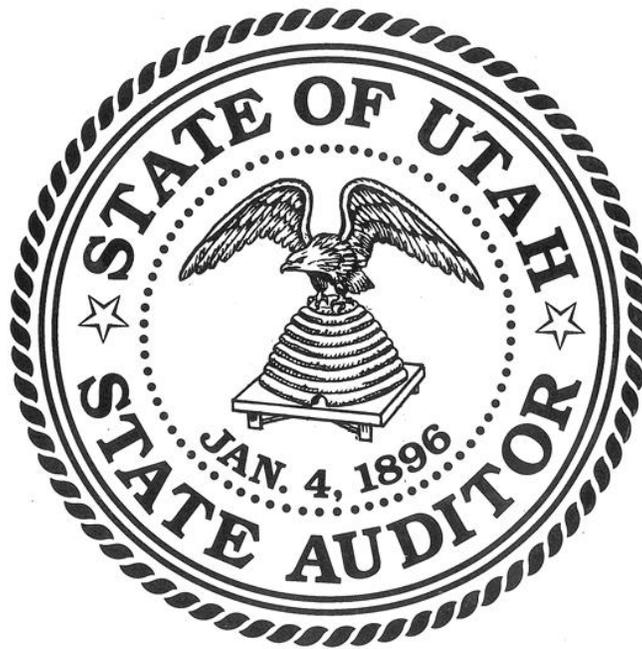


DEPARTMENT OF HERITAGE AND ARTS

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

Report No. 13-10



OFFICE OF THE
UTAH STATE AUDITOR

DEPARTMENT OF HERITAGE AND ARTS

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

Report No. 13-10

AUDIT TEAM:

Hollie Andrus, CPA, Audit Director

Rebekka Wilkinson, CPA, Audit Supervisor



OFFICE OF THE
UTAH STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER NO. 13-10

October 4, 2013

Julie Fisher, Executive Director
Dept. of Heritage and Arts
300 S. Rio Grande Street
SLC, Utah 84101

Dear Ms. Fisher:

This management letter is issued as a result of the Department of Heritage and Arts' (the Department) 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 federal program tested as a major program at the Department was the NCS AmeriCorps Subgrantees program.

In planning and performing our audit of the federal program listed above, we considered the Department'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 Department's internal control over compliance with the requirements previously described that could have a direct and material effect on the federal program 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 Department'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 certain deficiencies in internal control over compliance 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

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.

The Department'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 Department'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 Department during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Hollie Andrus".

Hollie Andrus, CPA
Audit Director
801-808-0467
handrus@utah.gov

cc: Brian Somers, Deputy Director, Department of Heritage and Arts
Kimbal W. Hale, Finance Director, Department of Heritage and Arts
LaDawn Stoddard, Executive Director, Utah Commission on Service and Volunteerism

DEPARTMENT OF HERITAGE AND ARTS

Single Audit Management Letter

FOR THE YEAR ENDED JUNE 30, 2013

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Finding Type:

SD Significant Deficiency of Internal Control

RN Reportable Noncompliance or Illegal Acts

Applicable To:

f Federal Program

DEPARTMENT OF HERITAGE AND ARTS

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FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2013

1. DUPLICATE PAYMENT

Federal Agency: **Corporation for National and Community Service (CNCS)**

CFDA Number and Title: **94.006 NCS AmeriCorps Subgrantees**

Federal Award Number: **11AFHUT001**

Questioned Cost Amount: **\$12,014**

Pass-through Entity: N/A

During a scan of fiscal year 2013 expenditure transactions, we found that one subrecipient reimbursement request in the amount of \$12,014 had been paid twice, though the subrecipient had submitted the request only once. The person in the Department of Heritage and Arts who receives reimbursement requests from subrecipients forwarded this request to the program accountant for review and payment twice, and the program accountant paid the invoice twice. These oversights occurred because the Department lacked controls strong enough to identify to either person that the request had already been paid.

Management identified this error later on its own and implemented controls to prevent this error in the future, but recovery of the duplicate payment was overlooked until we inquired about it during our audit. Recovery of the duplicate payment did not happen until after year end, so we have questioned costs of \$12,014.

Recommendation:

We recommend that the Department implement or strengthen existing controls to prevent duplicate payments and to correct detected errors in a timely manner.

Department's Response:

We agree with this finding and recommendation. The Utah Commission on Service & Volunteerism (UCSV) has established additional controls and procedures to ensure that the subrecipient reimbursement requests are handled appropriately. With the reorganization of the department and consolidation of finance functions, all reimbursement requests are now processed through an electronic system which tracks the request as it moves through the process. The status of the reimbursement is changed as it is approved at various points, preventing the possibility of duplicate payment. The duplicate payment of \$12,014 was recovered and processed by the State of Utah on 8/20/13.

While we recognize the questioned costs result from a duplicate payment in one state fiscal year (FY 2013) and recovery in the following year (FY 2014), we do not anticipate a problem with the federal agency, as the duplicate payment and recovery were made within the grant period allowed by the federal agency.

Contact Person: LaDawn Stoddard, UCSV Executive Director, (801) 715-6716

Anticipated Correction Date: August 20, 2013

DEPARTMENT OF HERITAGE AND ARTS

Single Audit Management Letter

FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2013

2. LATE TRANSPARENCY ACT REPORTING

Federal Agency: **Corporation for National and Community Service (CNCS)**

CFDA Number and Title: **94.006 NCS AmeriCorps Subgrantees**

Federal Award Number: **11AFHUT001**

Questioned Cost Amount: N/A

Pass-through Entity: N/A

The Utah Commission on Service and Volunteerism, part of the Department of Heritage and Arts, did not report through the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) the four subawards made under grant award 11AFHUT001 in a timely manner. The Department should have reported the subawards in FSRS no later than the last day of the month following the month in which the subawards were made. Three of the subawards were reported at least three months late. In July 2012, the Commission moved to a new department in the State; as a result, controls over timely reporting were not maintained. Management detected the error in March 2013 and submitted reports for the subawards. Late reporting results in delays in the ability of the public to access timely information about public spending and, thus, a lack of transparency.

Recommendation:

We recommend that the Commission strengthen controls over Transparency Act reporting to ensure timely reporting.

Department's Response:

We agree with this finding and recommendation. The Utah Commission on Service & Volunteerism (UCSV) has established additional controls and procedures to ensure that all sub-awards are reported in the Federal Funding Accountability and Transparency Act Sub-award Reporting System (FSRS) within the appropriate time frame. When a contract is routed through the state system for signature by the UCSV Executive Director and assignment of a contract number from purchasing, a routing coversheet is attached by UCSV. The coversheet has been revised to include the FSRS reporting date as a required field. The UCSV National Service Coordinator has also developed a contract checklist which lists the FSRS report as one of the required procedures prior to generating a sub-award contract. These procedures will make certain that the FSRS report is completed prior to the contract being issued.

Contact Person: LaDawn Stoddard, UCSV Executive Director, (801) 715-6716

Anticipated Correction Date: July 15, 2013